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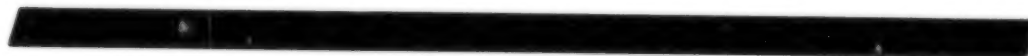
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CENTRAL EURASIA



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FBIS Report: Central Eurasia

FBIS-USR-94-131

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5 December 1994

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Possible Effect of U.S. Election on Russia Viewed

954F0463A Moscow MOSKOVSKIYE NOVOSTI
in English No 47, 25 Nov 94-1 Dec 94 p 4

[Article by Vladimir Lukin, Chairman of the State Duma's Committee for International Affairs: "What Do the Political Changes in the United States Mean for Russia?"; first paragraph MOSKOVSKIYE NOVOSTI comment]

[FBIS Transcribed Text] Engels once said that the two main political parties in the United States resemble each other like two peas in a pod. Judging by the reactions of both parties to the Constitution, the social system and to the continuity of the political system, this could be right. However, these parties substantially differ from one another in their approach to the outside world.

The Republican victory of November 8 is not an ordinary event. It is true that the president remains in the Oval Office of the White House and will be at the helm of power for at least another two years. However, his internal political entourage, the "group of advisors" which determines his political orientation, has undergone serious changes. The situation that has developed is actually one of "divided power." This is when the executive branch belongs to one political party and the legislative sector belongs to its opponents. In the recent history of the United States such an event took place on more than one occasion. Republican presidents that came after Richard Nixon often worked in conditions when democrats predominated in both houses of Congress. Today's situation is more unusual: the Democrat President is opposed by a Republican Congress.

Once again everything happened quite normally, and herein lies one of the wonders of new times. This wonder is that in 200 years the Constitution of 1789 has never been violated. Even the civil and world wars were not reason enough to postpone elections (at any level), even for a day. For 200 years the American Congress has conducted its sessions on the same Capital Hill. In the next two years the U.S. President will have a hard time with the Republican Congress. None of the branches of power will triumph in internal political debates. The winner will be the third force—the voters, the people. This is because they will achieve a compromise between reform and continuity. The winner will be evolution, a synonym for prosperity and the power of that great country.

What do the changes in Washington mean for us? First of all they mean serious tests for the policy aimed at supporting Russia. The conflict between the two opinions regarding the "Russian problem" is becoming more intense in the United States. The first opinion maintains that Russia, under any circumstances, is a great country that is headed in the right direction, and that the fate of the "democratic wave" of the late 1980-90s depends on its further development. The second opinion maintains that Russia is an imperial and aggressive, semi-defeated communist giant, which is being led astray. In its confusion it is prepared to embark upon the previous road of confrontation with the West. Until now the first viewpoint seemed to predominate in one way or another. However, the changes in Washington's political climate may push President Clinton toward the second viewpoint.

Clinton arrived in the White House intending to focus on domestic needs. In order to meet these requirements, he demanded a favorable group of foreign policy advisors. Yes, Americans landed in Somalia and in Haiti, bombed Serbs in Bosnia and threatened to send arms to that region. However, they remained loyal to European partners and, on the whole, benevolent toward the new Moscow. This is clearly demonstrated by Clinton's meetings with Russia's President. There has been no open and strict game to set the CIS countries against one another. East European neophytes of this bloc maintained a cool attitude (with all its maneuvers and hesitation) toward NATO ambitions. The U.S. administration had a semi-taciturn/semi-understanding position regarding Russia's peace-keeping mission in the conflicts on its borders.

There are worries regarding the effect the Democrats' defeat in both Houses will have on this policy. Republican members of Congress have no mutual commitments to the present Kremlin leadership. They are interested in the stable growth of the American economy and the increasing influence of the United States in the world. They have no feelings about the Bush-Clinton era regarding the end of the Cold War and the "joint victory over communism." They seem to be starting from scratch, taking into consideration future dangers more than past victories.

President Clinton is facing a dilemma that is rather unpleasant to us: whether to pursue his previous policy in U.S.-Russian relations and risk widening the gap between the White House and Congress, or whether to amend his Russian policy and, thus, weaken the fragile bilateral partnership. Until now Clinton has resisted the periodical attacks of staunch fighters against the alleged "imperial" tendencies of Russia's foreign policy. Now this resistance may weaken in the face of the temptation to change the "pro-Russian policy" in order to accommodate the Republicans on domestic policy issues, which are important for Clinton. The U.S. President's readiness for such "exchanges" is demonstrated by his first decision after November 8 to suspend the arms embargo against Bosnia.

Thus, following the November changes in the United States, the pleasant uncertainty and latent sympathy may sink into oblivion. The cruel reality cheapens the hopes of those who would like Americans tactfully to put themselves in our position and "equal partnership in credit."

For some time the new Russia was able to live in expectation of Western solidarity, which was so essential during the drastic and agonizing changes. The most powerful force in the world—the United States—truly sympathized with our country in the days of Bush and in the early days of Clinton's rule. Today's historical advances are running out, meaning that we must rely more on our own strength. Subsequently, mistakes will be more costly and blunders will be unforgivable. Failures will have irreversible consequences. Moreover, clumsy attempts to prove to ourselves that we are the same superpower will be inexcusable. This would be a poor way to protect our national interests. This sort of "self-blinding" is dangerous, and its stubborn cultivation is suicidal.

Attempts to Russify the Middle East conflicts when we ourselves are threatened by the internationalization of Russian and near-Russian conflicts are a strange and, to put it mildly, inappropriate venture. It is impossible to be capricious in relations with our Western partners simply because the country's economy does not permit it to disburse \$2 or 12 billion annually in order to pay off thoughtlessly accumulated debts. We must overcome our period of weakness with minimum losses and at least try to avoid the formation on our borders of a bloc of hostile forces, which rely on powerful external support.

Diversity in Middle East Contacts Stressed

954F0430A Moscow MOSKOVSKIYE NOVOSTI
in English No 46, 18-24 Nov 94 pp 1, 5

[Article by Irina Zvyagelskaya, D.Sc. (History), vice-president of Russia's Center for Strategic and International Research: "Balancing Russia's Role in the Middle East" first paragraph MOSKOVSKIYE NOVOSTI comment]

[FBIS Transcribed Text] The visit by Andrei Kozyrev to Iraq and Viktor Chernomyrdin's forthcoming tour of the Persian Gulf countries show the striving of Russia to outline more distinctly its interests in the Middle East.

It is an open secret that in recent years Moscow found itself distanced from developments in the region. Its role in the Mideast settlement kept decreasing.

Russia formally remained co-sponsor of the Middle East conference and made periodic attempts to emphasize its importance (for example, visits by Yassir Arafat and Yitzhak Rabin to Moscow served this purpose). Still, Russia could not fail to realize that Washington was leading the negotiations that were going on.

Had it not been for Saddam Hussein's recent attempt to draw the attention of the world community by demonstrating military force, the period when Russian diplomacy in the region remained "in the shadow" could have been dragged out. Paradoxical as it is, the actions of the Iraqi dictator created conditions under which Russia got a chance to demonstrate its diplomatic skill (military pressure was used by others).

The recognition by Iraq of Kuwait's sovereignty and borders, approved by legislators with the active role of Russia's Foreign Ministry, signified the departure of the Iraqi regime from its confrontational stand. This change of the former policy was for the sake of easing sanctions which

gradually destroyed the country. In these conditions Iraq and Russia became interested in each other. Hussein needed to preserve his image and, at the same time, to enlist the support of Russia in the Security Council. But for Russia it was necessary to demonstrate the presence of its own policy, which did not run counter to the requirements of the world community in Iraq but, at the same time, met its own national interests. Naturally, these cannot be fully identical to the interests of other states.

However, the problem of national interests in the domestic as well as the Western media frequently boiled down to the discussion of Russia's interest in receiving the \$7-billion debt from Iraq, to the prospects of the participation of Russia's oil companies in processing Iraqi oil or to likely arms supplies in the future. If the point at issue is really this sort of a gain, then the game is hardly worth the candle. It is doubtful that the sanctions will be lifted to substantially eased in the immediate future, Hussein won't be able to repay the debt very soon, and Russian oil companies will hardly be able to compete with multinational giants.

Momentary considerations mustn't be regarded as landmarks for the development of a long-term Middle East strategy. The result achieved in the course of negotiations with Hussein is important not as a step to a dubious possibility of obtaining means and dividends at the expense of Iraq, but as an element of Russia's regional policy as a whole, still in the process of formation.

In this context Moscow's maneuvering with regard to Iraq may have positive as well as negative consequences.

To the positive, the prospects of creating a system of regional security in the Persian Gulf may be the most important: it is obvious that such a system was impossible without Iraq recognizing the sovereignty of Kuwait.

As a negative may be the fact of returning to the Middle East through the development of preferential contacts with Iraq, which arouses among its neighbors quite valid apprehensions.

While the gradual loosening of sanctions in reply to the fulfillment of the UN demands is a necessary measure—if the aim pursued is not to destroy that country—the world community will nevertheless always have quite a number of claims on the Iraqi regime. And in this case it is highly important that by prompting Baghdad to fulfill these demands, Moscow does not turn into its lawyer. Therefore, the excessive lauding of Hussein's political wisdom by Russia's foreign minister arouses a feeling of awkwardness.

Pros, Cons of CIS Integration Theories Discussed

954F0344A Moscow NEZAVISIMAYA GAZETA
in Russian 12 Nov 94 pp 1, 3

[Article by Anatoliy Adamishin: "CIS Integration: Too Soon, Right Now, or Already Too Late"]

[FBIS Translated Text] This is probably how the essence of the three basic trends (they are still calling them "schools" now) which exist in Russian public opinion can be described briefly. And as paradoxical as this may sound, all three answers are correct or at least contain a measure of truth, depending on how integration is understood.

Let us begin with the last answer—it is too late. If we mean restoration of a federative or confederative state with a new supernational center, and in the near future, it is really too late. The Soviet Union could have been broken apart further at the table, or if you wish, this breakdown could be decisively finished. But restoration of something similar to the USSR would not succeed by any stroke of the pen. In the three years since Belovezhskaya Pushcha, irreversible changes have taken place in all the former republics, both economically and politically. However, it is not surprising that in a country accustomed to linking hopes for the better with revolutionary reforms, the slogan "Give us a new Union" excites the hearts and minds of many people. But political leaders, no matter what their moral aspirations, cannot set tasks for themselves that are unfeasible. No one will give up their sovereignty for no particular reason now, and it is obviously not worthwhile for Russia to take it away, either. In addition, it is incomparably larger than its other partners in the Commonwealth with respect to its territory and its human and economic potential. The role of "senior" member is too obvious for Russia, and in order to avoid this and provide for equal rights, the national sovereignty of CIS members is simply essential. Russia will thereby be able to rule out grievances and reproaches directed against it as invalid and groundless.

Now another extreme argument—it is too soon. The collapse of the USSR, it must be admitted, brought its own advantages to Russia, primarily in the sense that it was relieved of most of the aid commitments (but in practice, far from all of them!). But a consequence of the USSR's collapse was also a strong tendency to view integration with the former Union republics as a burden for Russia, as well as a disadvantage economically; moreover, the inclination to cut itself off from the former republics, especially at first, was stirred up by wounded national pride.

There is even a theory of "economic self-interest" which proves that the time has not come for integration. In accordance with the theory, Russia should stand on its own feet first, and only afterward pull the other republics behind it, like a locomotive. It is even put this way in the most candid discussions: Russia is an empire, and the republics that left it are fragments of it, and if restoration of the previous state is possible, it is only by Russia's absorption of these republics. But since it is clear even to an unsophisticated person that this is impossible under present conditions, the rapprochement is postponed for an indefinite period.

It cannot be said that the "not at our expense" arguments are unconvincing. But neither can we allow economic considerations to become clearly contradictory with everything else. We cannot permit Russia's political, military, and strictly economic interests for the future to be jeopardized because of interests of the moment. And this refers not to mythical imperial or great-power interests, but provision for our country's prosperity in the foreseeable future. After all, the 21st century, the next turning point in history, is not a century of national economies, but a century of broadly and deeply integrated geopolitical groupings, and this is becoming more and more apparent. In a word, to paraphrase a well-known saying, integration is too serious a matter to be entrusted only to economists.

Unfortunately, however, it is precisely the guidelines of the economic school which Russia is following in its practical policy. In words, everything is in order. The need for close integration of the former republics of the USSR and the objective nature of this process seem to be acknowledged by practically all political forces in Russia. Only a few extremists continue to advocate national isolationism. But in fact, the fine declarations, including those made jointly, remain on paper; only a few of the hundreds of signed agreements are "working" and the good decisions are being emasculated in the course of their implementation. The Interstate Bank, formally established a year ago, has only just begun operating; because payments have not gone through, trade relations have been seriously complicated and there is no real progress in forming a free trade zone. And in many respects this is because of us.

We cannot get away from the fact that such behavior by Russia, and this cannot be unnoticed, despite all the clever words, is creating dissatisfaction in many of the former republics and prompts them to take steps that may be hard to implement now, but which may bring Russia real harm later on.

In general, the middle answer would be ideal (as it nearly always is, incidentally). We have to view integration as gradual, practical steps in the rapprochement of the former Union republics as independent states in various spheres, primarily the economic sphere. The main objective here is to resolve the specific tasks that have already been set by development (or the lack of development of the CIS) and seriously affect the daily life of the states and millions of citizens in them. If this is how we understand integration, now is the time to carry it out in earnest, and much more actively than is being done now. We will have to follow a very difficult path, not the fast way, but the only productive way—by gradual rapprochement of the CIS countries, taking into account the readiness and interest of individual states and the extent that conditions in individual sectors and directions have matured. Including by adapting to rates of movement which are not the same for everyone in different cases.

It is apparent that the key role in cementing a unified economic space will belong to financial and industrial groups, in other words, to transnational corporations (at the CIS level). Obviously, economic cooperation should be

based on the interest of those involved in economic transactions, not on arbitrary administration. The task of the administrators is to create the most favorable conditions for this. Of course, each state will determine the relationship of the state, mixed, and private sectors of its economy, taking its own specific conditions into account, but the political and legal conditions for economic operation in all member countries of the CIS economic union should be as close as possible to each other, and the same later on.

The decisions adopted at meetings of the Council of CIS Heads of State in Moscow have the potential to become the beginning of a new stage in the development of cooperation among the former Soviet republics—a stage of serious and real work on their economic integration. First of all, there was the decision to form the Interstate Economic Committee (IEC), which is being given supranational management functions. This is a tool that has been most lacking in the CIS, for it can make a real contribution to implementation of the decisions being adopted. The decision to form a payments union of the participating countries is also fundamentally important, because it can regulate the elementary bases for trade and economic relationships between them, based on the reciprocal convertibility of national currencies.

There is no question that a most realistic and pragmatic position prevailed in the approaches by CIS leaders to ways to develop the Commonwealth. Now, if the sides' intentions are serious, the machinery for the IEC and the payments union will have to be started quickly and they will have to achieve the necessary efficiency. This will make it possible to remove the impediments to formation of a free trade zone, a necessary condition for which will be a customs union of CIS countries. Experience in the functioning of a free trade zone would make it possible to begin removing all restrictions to the free movement of goods, capital, and labor and to the conduct of a coordinated currency, taxation, pricing, and investment policy, that is, all the essential elements of a unified economic zone or common market for the CIS.

So will the process of economic integration finally be put into motion? This depends on Russia most of all.

There are a number of factors that affect Russia's fundamental national interests which demand that it fill the role of leader in transforming the CIS into a truly integrated regional community. The first one is apparent—Russia's security. Its very survival depends on how the situation around the perimeter of its borders develops—that is axiomatic. The friction with Ukraine and the Dniester area has decreased, fortunately, and the conflicts in Tajikistan and the Caucasus may become the first buildups of a storm, compared with which "the conflict in Bosnia would look like a Sunday school picnic," in Richard Nixon's words.

And take the problems of possible and already existing territorial disputes, the status of the Russian-speaking population, and dozens of other problems—it is really clear that a long-term and reliable solution of these problems is possible only on the path of rapprochement, integration, and voluntary unification in one aspect or another. West Europe's experience is too significant—it would appear

that only systematic unifying work was able to extinguish the irreconcilable hostility between the Germans and French and other conflicts, and to remove territorial claims that had led to wars for centuries. If we make no headway in resolving the questions of integration, it may lead to aggravation of the situation in border oblasts and international relations. If any new armed conflict arises on post-Soviet territory, it may exceed "critical mass," and then an uncontrollable chain reaction will take place.

However, a great deal has been said and written about the fact that even if Russia wants very much to cut itself off from its nearest neighbors, it will not succeed. One way or another, it will have to undertake serious material outlays and organizational efforts, but the choice here is between building "a Chinese wall" or conciliation of disputes in the countries on our borders, on one hand, and joint development and voluntary integration within the framework of the Commonwealth on the other hand.

And here we cannot dismiss the fact that there is rather strong opposition to a unification movement in Russia itself. Often this is the sum of coinciding group, departmental, personal, and other interests. A certain balance has taken shape today in distributing the profit received from the sale of resources and raw material and other trade, banking, and other operations. A change in equilibrium in this matter is fraught with losses in the niche already acquired.

The external factor cannot be overlooked, either. The increasing number of articles in serious American magazines and the statements by politicians and experts who are no less serious, frightening the world with "the new empire" and "the failure of reforms" in Russia in the event of reintegration speak for themselves. And some American diplomats do not exactly conceal the fact that they are inclined not to allow the CIS countries to come closer, and especially not to strengthen Russia's role in this.

Typically, references are often made to independent Russian researchers who cite theoretical substantiations of the harm that integration would bring to Russia. Can this help but exert influence, if not on the mood of society, then at least on the formation of positions by the officials making decisions? Especially as some of these political experts are moving in circles close to the power structures.

Against this background, I think it would be a serious political miscalculation not to pay attention to those processes that are taking place in society and not to give proper consideration to the unifying idea held by most of the population, as shown by various reports—from Zbigniew Brzezinski to the "Public Opinion" Fund. And the results of parliamentary elections in Russia and Moldova and presidential elections in Belarus and Ukraine attest to the same thing.

It probably may be maintained that a kind of zone of civilization has developed over the centuries, and especially the decades, among the peoples who inhabit the space of the CIS. We cannot see only the differences among peoples of the former USSR and not see their gravitation toward each other, and especially toward Russia. Just as

Russia itself cannot be reduced to only the Russian or Slavic peoples; it is a conglomeration of various cultures united in a single zone of civilization. This spiritual gravitation toward Russia, the unity of their material culture, the absence of a language barrier, superimposed on the unified geopolitical area where the CIS countries are situated will continue to generate centripetal impulses beneficial to the Commonwealth for the foreseeable future. Russia's spiritual, cultural, and political presence in the CIS countries is in accordance with its long-term national interests and most importantly, it is not undesirable for the peoples of these countries.

In a certain sense, we are one of the largest divided peoples, but as history shows, they are striving to reach reunification and achieve their goal. The collapse of the powerful country affected its people "at the molecular level," and for this reason, the striving toward unification is coming from below, often even unintentionally, as a reflex. Moreover, many people feel they were deceived in December 1991. At that time they were promised that the Motherland would be preserved and modified somewhat, and that greater freedom would be granted to the republics. But we recall that this referred to the retention of unified armies, the financial system, transportation, and so forth.

Of course, Russia's national interests should form the basis for Russian policy toward the CIS, as well as in all other directions. But how do we define them, how do we find the best possible combination of its current and long-term interests, including when the distribution of forces throughout the world are taken into account. For the

present, emphasis is in favor of the former. It should be corrected by policy. Otherwise Russia's rebirth as a great Eurasian power will be impeded as well.

The foundation has been laid for integration that is most efficient: Over the past two to three years the Commonwealth has not failed, despite the drawbacks and disadvantages that exist. With all the vacillations and doubts, and even movement backward at times, it was Russia that played the leading role in this. The CIS was joined by countries that had intended to shape their destiny without Russia or by orienting themselves toward other states. Today the hopes of overcoming the systemic crisis that affects the entire CIS are linked with the success of integration, and hence with the success of political and economic reforms in Russia. So it bears a substantial share of the responsibility today for revival of all the post-Soviet space. It looks as if it has little opportunity to escape this responsibility if it really follows the conceptual conclusion: The CIS is our priority of priorities.

In conclusion, we will permit ourselves a small compromise in the spirit of an agreement on public consent. Perhaps the time has not come for a decisive breakthrough in integration right now. But the course of this process is objective, and hence it is inevitable. Sooner or later, the machinery for integration will be created. How quickly this will take place depends on the political elite of the CIS countries, their awareness of the interests of each state and the entire Commonwealth as a whole, and their clear interpretation of the people's mood.

ECONOMIC & SOCIAL AFFAIRS

Stable Securities Market for Industrial Expansion Needed

954E0229A Moscow *EKONOMIKA I ZHIZN*
in Russian No 47, Nov 94 p 1

[Article by Ya. Mirkin, head of Department of Securities and Exchange Affairs of the Russian Federation Finance Academy, under the "Point of View" rubric: "Destatization of the Securities Market, or How To Finance Industrial Expansion"]

[FBIS Translated Text] The Russian economy needs growth, aggressiveness, an export orientation, new investments, and social peace as it does air. A steadily functioning securities market is an effective mechanism for attracting monetary resources for the industrial expansion our country is waiting for (*EKONOMIKA I ZHIZN*, No. 32, 1994 p 8).

Lost Illusions

The two approaches to constructing a securities market that existed in Russian practice in the period 1991-94 have experienced defeat.

The first approach: the state works out a long-term policy for the development of the market, and in conjunction with its participants builds an infrastructure and a system of oversight and information disclosure that provides for decreased financial risks, channeling major resources for these purposes, maternally watching over investment institutions with privileges, and providing them with common rules of the game and a community in the legal, informational, organizational, and technological field.

The state has been unable to accomplish a single one of these tasks. On the contrary, we have acquired a distorted market in which the volume of state securities is several times greater than that of private securities, and free money from the economy and the population is flowing into the budget instead of into investments at the expense of securities issued by enterprises—deposits in state treasury bonds [GKO's], treasury bills, Foreign Trade Bank instruments, gold certificates, and so on. The state's remaining functions have turned out mostly to involve regulation, accounting, and licensing.

The second approach: self-organization, self-regulation, the construction of a market out of the regions by the most professional participants. This path, too, has been troubled. Participants in the market are suffering overwhelmingly from a lack of capital and material and organizational resources. Most banks treat securities operations as a secondary task, limiting themselves to the passive side of the balance sheet. The stock market exists with GKO's, with speculative foreign investors, and with venture companies. Conflicts of interest among regions, exchanges, and nonexchange markets and associations of professional participants, along with the sharply expressed shortage of resources, create the mosaic of a market but do not form a representative network of confidence-inspiring investment institutions, national associations of participants in the securities market, major stock exchanges and nonexchange

systems, or a technical infrastructure based on unified standards and having sufficient resources for its own development.

The basic task of the securities market is to become a mechanism for the redistribution of monetary resources into the real sector of the economy.

Is it possible for the market, which is in such a state of fragmentation, given the Brownian motion of small institutions, to complete this task and become a principal instrument for surmounting the investment crisis?

The answer is obvious.

Money, Money!

Meanwhile, most branches are in need of an influx of fresh financing, which would allow them to restore solvency, modernize equipment, revive mass planning and the production of new output, diversify their activities, ease social conflicts, and, finally, begin new industrial expansion.

As in the 1920's and 1930's, the issue has arisen about the shortage of domestic savings for these purposes. Compulsory withdrawals are impossible. Inflationary financing has exhausted its limits. Budgetary infusions are coming to an end. Preferential credits to the branches from the Bank of Russia are frequently hidden financing for the budget deficit. There are no long-term credits from commercial banks. Outside sources are either limited or speculative. The issue of financing is key to the restoration of industry.

In this connection, industry's ability to utilize the securities market and its institutions for attracting monetary resources, competing with the state and venture companies, takes on great significance. However, the securities market itself is in need of resources for the construction of major, confidence-inspiring financial institutions and for the technical provision of its systems. As long as this market is in its infancy, it cannot be a mechanism for financing the new industrial expansion in Russia.

The Drowning Have To Save Themselves

Thus, on the one hand, there is the securities market, which is experiencing an enormous need for monetary infusions in order to stabilize its capital base and institution building.

On the other, there are the branches that are in desperate need of money and have no opportunity for making broad use of such an obvious mechanism as a securities market for accumulating financial resources.

This contradiction is not insoluble.

Many branches have maintained themselves as vertically integrated conglomerates in which the influence of the Moscow center is still strong (*EKONOMIKA I ZHIZN*, No. 46, 1994, p 9) and which consist of hundreds of enterprises. The poorest and most unprofitable of these branches is immeasurably rich from the standpoint of the funds needed to build a securities institution. For an enormous branch experiencing a resource deficit of tens of trillions of rubles, R50 billion-R60 billion spent to organize a few dozen legal entities (financial brokerages, investment companies, institutional investors, and so on) is not money.

At the same time, the effect could prove incommensurate with the expenditures. According to assessments, those branches that are the first to the starting line will attract at least R1,000 in resources for each ruble invested in the creation of the financial infrastructure.

Anyone who is familiar with the internal life of branch conglomerates, anyone who knows what unlimited resource opportunities they hold, will agree that the creation in them of "financial subbranches" could yield an explosive effect for the development of the securities market as a whole, simultaneously forming a stream of live money to the productive sector and drawing into it the free monetary resources that are now being pumped out of the population and enterprises by the budget and venture companies.

A Third Way?

So, a new, "third" approach to the construction of a securities market is the creation of "financial subbranches" in the branches conglomerates (fuel, raw materials, and so on).

For any branch, this is a strategic decision that must include a long-term plan for entering the securities market, centralized schemes for stock operations on the branch scale, as well as the creation of several dozen subsidiary or authorized institutions and their affiliate network in the following sectors: investment planning; broker-dealer operations in the securities market and underwriting; investment consultation; registration services; institutional investments, and so forth (see diagrams 1 and 2). A plan for creating "financial subbranches" capable of diverting monetary flows into production is being worked out right now in the coal industry in collaboration with the Rosugol company (the Moscow branch center) and coal enterprises and associations.

In many branches, this process started up spontaneously. The dangers connected with it are obvious: the subsidiary nature of branch securities institutions, "intersecting" directorates, the use of confidential information, the elevated risks, the overly close ties with the state.

However, there is no other means of starting up investments for the restoration of industry. If the state is incapable of setting up a reliable financial market, and if the professional securities market is still incapable of taking on the volume of jobs and risks connected with massive investment in production, then the branches are left with no choice but to provide themselves with their own financial infrastructure, just as previously they provided themselves with their own transport, energy, construction, and banks.

This means that the next stage in the development of the Russian securities market, assuming branch top management overcomes its conservatism and the "state planning mind set," is connected with a boom in the creation of branch securities institutions, with the impending entry into the market, toward the small investor in the securities of Russian enterprises for investment projects to modernize production.

After that comes support by the branches for the liquidity of their segments of the stock market and the starting up of branch sections in several stock markets, as was done by the state and the GKO's. There will be acute competition among the branches for monetary resources and for volumes of branch markets, as well as growing investments in the material, personnel, and financial base of the securities market.

At long last, the securities market will begin to serve industrial expansion.

Effectiveness of Financial-Industrial Groups Pondered

954E0213A Moscow DELOVOY MIR in Russian
7-13 Nov 94 p 5

[Article by Vladimir Shtundyuk, doctor of economic sciences, Central Economics and Mathematics Institute of the Russian Academy of Sciences: "The Strength of Combined Capital"]

[FBIS Translated Text] It was not very long ago that the phrase "financial-industrial group" was almost abusive language in our country. And this is understandable: The merger of industrial and banking capital was already long ago stigmatized by the classics of scientific communism as the most flagrant example of monopolism.

However, in the last two years, under conditions of a continuing drop in production and a catastrophic shortage of investment capital, more and more attention in our country is being given to financial-industrial groups. It seems they have been forgiven the "ugly features of monopolism," because of those capabilities that they possess.

But what are they, as a matter of fact?

Financial-industrial groups are very large economic complexes whose structure includes holding companies, credit establishments, enterprises, financial and investment institutions, an insurance fund, trading houses, and subunits of other spheres of the economy.

A Common Pocket Is Weightier

The synthesis of banking, industrial, and trade capital makes it possible for the FPG [financial-industrial group] to accelerate the sale of products being produced, and in a short period to mobilize the enormous financial resources, with the assistance of a bank, that are necessary in connection with a sharp acceleration of equipment obsolescence, a reduction in the life cycle of articles, and internationalization of production.

The economic effectiveness of an association of credit establishments with industry and trade is also multiplied as a result of the emergence of common interests among the most diverse components in the joint issuance of shares of stock and the conduct of complicated joint operations, the capture of incomes in new spheres of activity, and the strengthening of a position in the modern competitive struggle.

The interweaving of industrial enterprises, banks, trade subunits, various financial institutions, etc., expands the borders of controllability, and it thereby creates new capabilities for the universalization of the activity of the FPG's,

the inclusion of administrative organs of various branches in their structures, and the elimination of branch borders. This kind of unity of financing, crediting, and accounting of various reproduction components under FPG centralization leads to the creation of integral economic systems, a decrease in the costs of production and turnover, protection from the fluctuations of the market situation, and growth in dynamic capital and the amount of profits received.

The universal character of the use of bank capital, the accumulation by credit establishments of information on the functioning of all FPG subunits and the possibility of implementing continuous financial control on this basis, the rendering of a broad array of administrative services, and the ability to influence their development foreordain that a bank is the framework of the financial-industrial group.

The expansion of the FPG network contributes to national economic progress, which in turn is conducive to their own functioning. The fact is that the merger of banks, given their huge financial resources, with various large reproduction components in the FPG, actually extends the borders of self-financing and eases the burden on the budget and the regulation of social production. On the other hand, if FPG's experience difficulties for objective reasons, they can rely on the financial strength of the state, which is interested in their successful functioning.

[begin boxed item] A merger does not triple industrial, bank, and trade capital, but decouples it, the capital, and capabilities.[end boxed item]

In the opinion of our own and foreign scientists and specialists, the emergence of the FPG is a result of the essential processes of economic life, which gives the process of concentration of production a new and distinctive character. Financial-industrial groups have assumed a firm place in the world economy. A decision was made in 1993 to set up a network of FPG's in Russia. An active study is being conducted now on this question by ministries, departments, and scientific organizations, and the process has begun for a practical development of such super-complexes.

The calculation, accounting, and information system, as a consequence of the interpenetration and aggregation of all managerial components, should be adjusted to the peculiarities of the production-administrative component. Otherwise, the transition to the new form of organization of production and turnover remains only an idle wish. The mechanism of FPG information that was developed by the author in the form of block matrices that are filled out according to the data of continually formed primary payment documents corresponds to the requirements indicated for the functioning of these new production-administrative organizations and simultaneously to their organizational and material capabilities.

Payment for the Matrix—a Good Bargain

The need for operationally balanced multiaspect accounting in financial-industrial groups is a result of repeated complications of the production and commercial

work in them and the full independence of their structural components. The material-technical capabilities are expressed by the concentration in the FPG of a large mass of payment documents and accounting work, by the capabilities of the specialization of the managerial functionaries in a specific operation or their homogeneous groups, and by the presence of substantial computer capabilities and the potential for the employment of economic-mathematical methods.

Matrix operational accounting, despite the simple technique of filling out, given an appropriate arrangement of balance sheet accounts, is impeccable and uninterrupted, and it graphically reflects the entire complex process of the reproduction of FPG capital in the context of its forms. The payment of resources and labor items, raw material reserves, materials, equipment, wages, etc., before the sale of ready products, are objects of the operational supervision of managerial personnel. What is also important is that the credit and debit balance of a homonymous balance sheet account is the sensor of negative moments and of "vulnerable spots" in the activity of an economic system; and what, how, and in what sequence it is necessary to restore the normal course of reproduction in all of its forms and phases. It is difficult to imagine a more effective informational technology that ensures continuous receipt of all necessary balance sheet information that is coordinated "live" at generally insignificant costs.

The transformation of accounting into an instrument of operational supervision for the conduct of economic operations as constituent components of reproduction creates the conditions for radical reconstruction in the FPG of the organizational structures and methods of management, economic anticipation, programming, intrafirm operational-production planning, and thus right down to the individual financial incentive. I would like in this article to dwell on such a question as what inculcates payment monitoring in an FPG for increasing the effectiveness of handling finances.

The conveyor entry of data on the shifts of all of the material-financial flow opens up the scope in an FPG for a radical rationalization of finances and an unprecedented strengthening of economic levers, instruments, and incentives.

With the help of the balance of payment transactions matrix, the FPG apparatus can purposefully influence the formation and expenditure of the working capital of enterprises from day to day in the interests of the system as a whole, taking into account the entire field of intersecting material and monetary factors of a business for ensuring uninterrupted payments and the circulation of financial funds.

Without Fines and Sanctions from the Outside

The FPG can revise internal transfer prices at an accelerated pace, taking into account the continuously changing financial position of its components, the significance of the tasks they are resolving, and the maximization of profit as a whole in the system. The granting of postponements to an

organizational component of the financial-industrial group, or, vice versa, the introduction of accelerated payments regarding intrafirm invoiced shipments, and also the differentiation of internal crediting from uncompensated grants of loans before their issuance under conditions of the money market becomes immediately and significantly more substantiated.

[begin boxed item] The unification of enterprises, organizations, and the banking institution in an FPG causes a transformation of credit and accounting relations.[end boxed item]

The disclosure of a need for foreign credits and loans being received from commercial banks, special financial institutions, international financial organizations, and state establishments is also speeded up. Daily accurate control over the use and payment of loans received is ensured. Financial work also climbs along an ascending spiral as a result of the mobile distribution and redistribution of received profits, amortization of deductions, stockholder resources, and monetary reserves.

Mobility in the operation of securities is increased by several orders of magnitude, and alternatives for replenishing portfolios of securities, the correlation between one's own and borrowed resources according to components of the financial-industrial group, and the system, character, and structure of the intrafirm operations and accounts for them are more quickly and accurately calculated. It is obvious that the introduction of the technology of information-vigilant supervision over material and financial flows reflects in a very favorable way on future transactions, the foreign currency maneuvering of various countries, the establishment of conditions of various agreements, and the formation and use of monetary reserves.

The financial services of the FPG according to the matrix payment screen can dynamically take an entire complex of factors into account that affect the size of taxes, and on this basis to select in a centralized way the moment for paying taxes "in association" with the financial position of one's own system as a whole. The FPG apparatus can regularly give enterprises and other structural components of a financial-industrial formation general fundamental recommendations of the legal minimization of taxation in a balanced correspondence with all of the interrelated indicators (sales volume, the mass of received profit, loan indebtedness, etc.).

As a consequence of the fact that the duration of the transmission of resources of each party of the autonomous structure of the FPG is different, the monetary resources released in one sector of economic management can be directed by a bank for a time to financial expenditures in another stage of circulation. Naturally, the operational intrafirm use of temporarily free resources of one subdivision for financing urgent expenditures in other directions of activity will make it possible to decrease the sum total of monetary resources needed by the concern and to increase the speed of their movement.

The Shortest Path Is a Direct One

Enterprises of various branches and credit-financial institutions are members of the financial-industrial group. As a

result of this alternating use of free resources of enterprises for mutual financing, the participation of the entire group in the settlement of indebtedness of each of the structural components and vice versa provides an especially large saving of payment resources.

Given the centralization in the bank of the FPG of its monetary resources, the preconditions for the rationalization of payment transactions are also created, owing to the mutual offset of payments of the structural components, as a result of which the necessity for implementing with money the functions of payment of resources, circulation, and accumulation are eliminated to the extent of the offset sum.

Given the separate organization of extending credit and money turnover, the receipt by an enterprise of a product can be ahead of the transfer of money to the supplier. As a result, in the course of a given lag in turnover of the consumer enterprise, surplus working capital is formed. In turn, the granting of bank loans to the supplier for the product he has sold can be ahead of the payment to him for commodity-material assets; excessive liabilities also emerge in the supplier's turnover. Inasmuch as the production of each independent component is transferred to another component, the wholesale price system, the profits of the preceding component, go into the cost of the production put out by the succeeding technological component. Thus, given the separate extension of credit as the result of a recurring profit account, an increase occurs in credits issued to enterprises; the system of monetary support of enterprises becomes excessively complicated and vulnerable to financial breakdowns, even given a transitory insignificant shortage of monetary resources. Given the credit servicing of enterprises and organizations in the FPG by its own bank, multiple alternative crediting is eliminated, and the regulation of money circulation is conducted, taking into account the features of the association of the economic organs as a single whole, and their need for working capital and credits is reduced.

The centralization of accounts and extension of credits in the FPG, in conjunction with the use of balanced payments information that moves in a continuous stream, makes it possible to accumulate invoices for the payment of the shipped products of several enterprises in conformity to the dates of payments concentrated at a given moment in an FPG, and to ensure a cyclic recurrence and interlinking in the receipt of earnings and the payment of expenses and the reliability of payment transactions. In addition, the overwhelming part of concerns in an FPG with respect to overcoming monetary difficulties that arise through no fault of its own are removed from the structural units of the system, and they have more opportunity for improving financial work.

The development of the information system described in the article for reflecting economic reality and quick reaction to economic changes was already completed long ago, and it was tested in practice by the TsEMI [Central Economics and Mathematics Institute] of the RAN [Russian Academy of Sciences] and the GVTs [Main Computer Center] of the banking system of the country in Moscow,

Nizhny Novgorod, and Estonia. The results of the experiments corroborated the reality and effectiveness of everything that has been set forth, and they were approved by the board of the Gosbank [State Bank]. However, the work has not reached the point of being put into practice. It is one thing to give it formal support and an entirely different thing to put it to practical work. I would like to hear the opinions of workers of the Ministry of Economics, FPG's, scientists, economic managers, and economists regarding what has been set forth here.

New Law on Prevention Against AIDS Discussed

954E0227A Moscow TRUD in Russian 22 Nov 94 p 2

[Interview with Bela Denisenko, chairman of the Committee on Health Protection, by Svetlana Sukhaya; place and date not given: "AIDS Epidemic Being Followed by Fear Epidemic"]

[FBIS Translated Text] The problem of the spread of AIDS in Russia remains among the most serious. Many experts are convinced that the situation could change quickly from relatively propitious to critical. The range of passions and opinions on this subject is great—from compassion for those infected and recognition of their rights to calls for the total isolation of AIDS carriers. A fresh outburst of emotions was engendered by the law passed by the State Duma on "Averting the Spread in the Russian Federation of Illnesses Caused by the Human Immuno-deficiency Virus (HIV)." Today Bela Denisenko, chairman of the Committee on Health Protection, comments on the law.

[Denisenko] It is obvious to everyone: The epidemic is continuing and affecting more and more new strata of the population. The threat of its spread today is being magnified by many factors: the active migration of the population, increased contacts with foreigners, changes in standards of sexual behavior, violation of sanitary-hygiene rules in hospitals. All these are the premises for drafting the new law.

[Sukhaya] Of course, it is essential. But like this? It is being criticized on both sides, both by those who demand even harsher measures and by those who consider the law draconian.

[Denisenko] The old law contained a fundamentally different concept. Now we are moving away from coercive testing for certain categories of the population to voluntary testing. Understand, mandatory and coercive are different things. For example, a pregnant woman ought to be tested; it is in the interests of the mother herself and of the future child. The doctor must convince the woman to do this. However, if she categorically refuses, she will still receive the full set of necessary services—but separately from other pregnant women, in order not to subject them to any risk. The doctor too will take care about his own protection.

Physicians involved with the production of test systems have an interest in a constant flow of subjects—budgetary money stands behind that. They want the law to say specifically: Such and such categories of citizens are subject to mandatory medical testing. There were proposals to test all prostitutes. But if there is not even a legal status for

prostitutes, then how are we going to identify them? There was a proposal to test all drivers.

[Sukhaya] Understandably, it is not far from here to a call for universal testing. Right now, though, this sounds completely abstract: The government would review the list. One can only guess who would be on it.

[Denisenko] We decided it would be more correct if these categories were defined by the government in conjunction with specialists. The law establishes a procedure for conducting medical testing. Understandably, someone who refuses cannot be a blood donor, for example.

The practice of medical testing for AIDS has been in existence for a long time. Right now it is simply done without the patient's knowledge: Someone lands in the hospital, and tests are done, including this one. Most often the patient never knows that the test was done. We are legalizing this practice, making it civilized. In general, our physicians are used to treating the patient without informing him of anything. This is an elementary violation of human rights that has become the standard for us to such an extent that we do not even notice it. Now it is not the patients who are protesting but the physicians working with these analyses. Their interest is understandable: The more testing, the better—that is their work. But this arrangement is by no means a salvation from the epidemic. In the first place, today it is unrealistic to test everyone no matter what—we do not have those capabilities. Secondly, the day after someone is tested he could get infected. Moreover, testing and treatment are very different things. There is no effective treatment right now. This means that testing in itself will not halt the epidemic.

The reality is such that HIV-infected and healthy people must learn to coexist. The most reliable guarantee against the further spread of the illness is the citizen's knowledge of the rules for protection against the infection.

[Sukhaya] Especially furious debates have raged specifically around the articles on mandatory AIDS testing. By introducing the point about mandatory testing of foreign citizens, we are moving away from world practice and provoking accusations of human right violations. Are you convinced of the necessity for this approach? In practical terms, how can we test those who come here for just a few days—on a business trip, or for symposia or festivals? Taking into account our usual red tape, would this not clearly affect scientific, cultural, business, and simply human contacts?

[Denisenko] First on rights and freedoms. There are no unlimited rights. My rights end where your rights begin. In this case, the foreigner's right to enter our country is limited by the Russian citizen's right to protect his own health. Any state defends the interests of its own citizens first and foremost.

In the original version of the law, Article 9 talked only about testing foreigners who come to work or study—that is, for a prolonged period of time. This could mean presenting a certificate of testing. That is, the foreigner would not have to be tested here; he could take care of this at home. But then the deputies voted almost unanimously for

the stricter version, which proposes checking those who come for just a short stay. It is this addition that is troubling everyone. Fortunately or unfortunately, the harsh procedure passed: Every foreigner, before receiving a visa, must present a certificate of AIDS testing.

[Sukhaya] So what it is, in your view—fortunately or unfortunately?

[Denisenko] This is going to mean certain inconveniences right now. Some foreigners actually might refuse to travel to Russia. On the other hand, this is the more reliable screen against the importation of the infection from abroad.

[Sukhaya] Why is there no such procedure in the United States, say, although the epidemic is raging there? Is it because it is already raging? That it is too late to put up screens?

[Denisenko] In part you have answered yourself. I think that the United States will soon take protective measures as well. But evidently they will differentiate, raising barriers to those countries where the rate of disease is clearly higher. I hope that we too will do just this: it makes no sense to fence ourselves off from countries where the rate of disease is lower than here. The conditions of an agreement with an African country where as many as 50 percent of the population is infected ought to be maximally strict. We have already been accused of "uncontrolled racism." After all, though, the sweep of the epidemic in these countries is not our fault but their misfortune.

[Sukhaya] Probably one more argument in favor of strict measures is the degree of our sleepiness: our low level of culture, poor sanitation, poverty-stricken hospitals, general ignorance, lack of sex education.... If the epidemic does go into full swing here, we will not be able to stop it, and the speed of its spread could prove unprecedented.

[Denisenko] Of course, it is the lack of general culture that compels us to take the strict approach. There are other nuances as well. Many protests are coming from centers where they work with infected people and have established contacts with analogous foreign centers. People come from those centers who are known to be sick in order to make contact with our infected people. These contacts will be stopped. The road to Russia for people we know are infected will be strictly closed. I am asked, what if a journalist or a diplomat is infected? According to the law, these people will no longer work in our country.

There have been proposals to allow sick people here on the condition that their government pay for their treatment. But Russia very quickly could turn into a unique reservation where everyone who has AIDS is sent. I am amazed at the especially stormy defense of the rights of foreigners. For 70 years we worried more about the rights of Negroes in America than about the rights of our own citizens. Might it be time to shift emphasis?

The law has gone off to the Federation Council. If they agree with us there, then the next and last stage is the president. I think that the Federation Council or the president will veto it. Then a conciliation commission will go to work. Certain articles might be softened—in the first

place, with respect to foreigners, that "addition" about those who come for a short stay. I think that this would be the most sensible. After all, someone who comes for a few days understandably has fewer chances of becoming a source of infection.

I have thought a lot about how to explain this unanimous harsh decision of the deputies. Evidently, an epidemic of fear is following the AIDS epidemic like a sinister shadow (you know, a shadow does sometimes grow bigger than its master). And fear always hinders the passage of an adequate decision. [end Denisenko]

P.S. The president's signature is still not on the law. The debates about it continue, and we are planning to continue the topic. For now we feel it is necessary to report that at a recent press conference V. N. Pokrovskiy, president of the Russian Academy of Medical Sciences Academy, stated, "I want to dissociate myself from this law, which discredits our country."

Effects of Disastrous Reduction in Economic Investment Examined

954E0182A Moscow *RABOCHAYA TRIBUNA*
in Russian 15 Nov 94 pp 1-2

[Article by Valentin Fedorov, vice president of the Russian Union of Industrialists and Entrepreneurs and ex-governor of Sakhalin, and Aleksandr Tsygichko, professor and adviser to the Russian Union of Industrialists and Entrepreneurs, under the rubric "Point of View": "The 'Black Hole' of the Market, Into Which State Investment Is Disappearing and From Which Millionaires and Billionaires Are Emerging"]

[FBIS Translated Text] The state of affairs in the investment sphere is becoming increasingly alarming. In the months of 1994 to date expenditures for machinery and equipment and for construction-installation work from all sources of financing have already decreased by more than one-quarter with a significantly lower loss in gross domestic product. Production construction is being curtailed much faster than nonproduction construction. The number of mothballed and temporarily suspended projects (about 50,000) is growing. About half of them are state-owned. More than a quarter of all construction sites are shut down.

1. Capital investment in the production sphere depends largely on state financing, but the state is clearly refusing the role of major investor. Budget capital in overall sources of financing is decreasing. Only a few of the 450 start-up projects for state federal needs were accepted for operation in 1994.

The situation is especially grave in agriculture, whose share of production investment dropped from 22 percent in 1990 to 7 percent in 1994. The situation is similar in transportation where, despite an increase in the relative indicator, the amount of capital investment is far from the 1990 level.

And overall the trend which began in the 1990's toward a rapid decline in investment activity, especially in the sectors of material production, is not undergoing any serious changes. Financial support from the state (very

weak) does not help, nor does removal of the tax on profit that is reinvested, nor voucher or monetary privatization of state property.

The outflow of capital, primarily from industry, occurred and is occurring in significant part because the capital advanced by the state to build and improve fixed production capital has been transferred into private and collective hands. This development had its beginning in the Gorbachev reform and especially the 1987 Law on the State Enterprise, which granted them full economic independence. There followed a set of well-known processes: the appearance of large numbers of joint enterprises and cooperatives attached to industrial production sites, the appearance of other middleman structures, and price liberalization. Voucher privatization, which accelerated the process of forcing capital out of industry, also played a part.

The withdrawal of the state from investment activity is explained by the decrease in state income under conditions of economic decline. On the other hand, the leakage of capital from material production is occurring in large part with the connivance of the central administration. The state is investing capital in the development of production and in new construction, but at the same time it is not acquiring an unconditional right to dispose of the income from its investment, which can be very effective, and of course, it does not guarantee its subsequent use for capital investment. Therefore, state investment essentially remains a powerful inflationary factor.

By our estimates, in industry alone the outflow of capital because of uncontrolled disposal of gross income and credit reserves and amplification of the role of intermediate financial structures, whose share in the price of industrial output has risen five to six times, has been \$25-30 billion in recent years. The shifting of the center of gravity in centralized investment from outright budget financing to credit on a paid and repayable basis will increase the state's budget income, but it does not obligate investors to direct capital to a specific sphere of activity and does not stop the process of deindustrialization of the country. The managers of enterprises in state, mixed, and private ownership have a strong interest in receiving direct or credit investment capital from the state in order then to use it at their own discretion, including possibly to support their own production facilities as a source of personal enrichment. They are willing to beg and fight for this money, but they do not want to spend their own money, especially that which is put in foreign banks. They keep afloat the enterprises that give them income, but they prefer to do this at the expense of the treasury. Somehow they do not want to spend their own capital.

Of course, the state itself is taking capital out of production through high taxes and expensive credit. But even without this the corresponding part of the capital would inevitably abandon industry under the given system of disposing of income and the opportunities to conceal income.

For this reason the expected reduction in the tax burden will not necessarily broaden self-financing of production or other state measures to increase enterprise income,

including through accelerated depreciation, indexing of depreciation, and preferential credit.

This process does not go unnoticed by the entrepreneurs of other countries, and naturally this does not encourage a broad stream of foreign capital flowing into our economy. They do not want to subject their money to the plundering that is occurring with Russian state capital.

It must be said that it is not just resources designated for accumulation of fixed capital that are being plundered, but also resources to replace fixed capital. Enterprises do not even spend their full computed depreciation for capital construction. The dimensions of depreciation have increased in connection with the reappraisal of fixed capital and the indexing of write-offs. Already today such a non-inflationary source can cover a significant part of expenditures for technical re-equipping and reconstruction. But this is not happening. Enterprises are trying to attract state capital not for expanded reproduction but also for simple reproduction of fixed capital, taking depreciation out of this process. **There must be a mechanism for serious fiscal tracking of how renovation capital is used. In cases where depreciation funds are spent for improper purposes, tax should be collected on them as if they were profit, or perhaps even at a higher rate.** This will make it advantageous to reinvest depreciation and not to use it for working capital.

2. The state as an anonymous investor (often as a donor of private capital) should be replaced by a new kind of investor—the state agent in the form of a specific person. He will dispose of state capital as an entrepreneur, guided not only by the criterion of maximum profit and security but based on the interests of promising sectors of material production and structural reorganization of the economy. This will put an end to mismanagement in the use of state property that has become a source of enrichment for anyone but the state itself, as an investor.

There is no way to get along at present without participation of the state in the rebirth of the economy, but this participation must take new, more efficient and effective forms. The unsuccessful economic doctrine of the government of recent years is now making it leave the economic stage in general, which does not promise anything good for industry, agriculture, or other sectors of the economy. Such a surrender is in no way mandatory, and it is very dangerous in conditions where private domestic and foreign capital in our country is inactive.

Of course, the state in the person of its entrepreneurs or agents should not simply turn over state property that is not in market demand to them and carry the financing burden; it should orient them to develop and expand research and design work in industry and to buy production secrets and know-how, that is, to invest capital in seemingly intangible assets in order to make domestic production more competitive and attractive for private investors.

This kind of personified state capital would be a reliable foundation for the formation of powerful finance-industrial groups and domestic and transnational corporations which would promote the revitalization of the Russian economy.

So behind the negative changes in investment in the Russian economy there is concealed a more complex and unclear process, unlike the formal privatization of state property, in which the owner of capital in material production is being replaced, and this is accompanied by many negative factors. The process will end with large-scale bankruptcy of plants and factories whose potential will soon dry up without adequate reinvestment of income.

In order to preserve material production, be considered an industrial power in the 21st century, withstand foreign competition, and increase the number of jobs, in the remaining years of this century we must spend enormous capital for technical re-equipping, reconstruction, and expansion of existing enterprises and for new construction, even though on a smaller scale than in the past for construction. According to calculations, R400 trillion in today's prices needs to be invested in industry for these purposes. Then the proportion of modern equipment in fixed capital will be about 60 percent, which will mean that the latest cycle of qualitative upgrading of the means of labor has been completed in a normal period of time.

Under the present system of production and property relations and given our enormous foreign debt, it is impossible to solve this problem if we continue the former policy. What should we do? We must set our minds on a brief inflationary surge which will occur as the result of the initially high expenditures for investment purposes accomplished by issuing more money. This will produce a fairly quick and substantial economic impact if the income from this investment is used to develop production and does not leak away as it does today. A significant return is also guaranteed by the surviving backlog of the past—the abundance of production capacities subject to modernization, conversion of defense plants, and the high degree of readiness of many construction sites. But only state entrepreneurs can hold back the leakage of income and capital in the course of massive state expenditures today.

Efficient state capital will draw after itself private capital, which already has an investment reserve. Furthermore, state capital should not rule forever. Having established efficient production, it can partially or completely withdraw from production, selling its share of property to private entrepreneurs. In this way the state will recover and multiply its financial resources. This result justifies a short-term jump in inflation. But to do this we must move without delay into the new, fourth stage of transformations. The first, perestroika stage gave the individual enterprise the right to dispose of state capital at its own discretion, which did not bring positive changes in efficiency indicators but in large part led to the loss of a significant part of the country's production potential and to personal enrichment at the expense of public property.

The second, voucher phase in its parasitic essence created a stratum of rentiers and forced directors of state enterprises and labor collectives to crowd together to the benefit of the new owners, who had bought up the vouchers from the public. This stage not only failed to bring economic health, but on the contrary increased nonproduction expenditures.

The third stage, the money auction stage, will not ease the situation because of the devaluation that has occurred with the state property that has remained in production; in many cases its market value cannot be significant owing to great physical wear and obsolescence. Of course, people will be found who want to become co-owners of state plants and factories for a song. They do not want them in order to reorganize them and make them competitive, although they may promise this, but rather to milk rubles and dollars from depleted sources for at least a little longer.

The fourth, state capital stage, even if it is to some degree a temporary inflationary stage, represents our last hope that full-fledged rebirth of production will begin in our country. At the same time such levers of economic regulation as state discipline, administrative, material, and criminal accountability, and others should be activated in addition to tax and fiscal levers.

3. It is now being realized, although not universally, that all-out reliance on private capital, which was nurtured by the state and is now fleeing from production, is hopeless. This forces us to look for other ways to revitalize production and directs our gaze to the creative forces of state entrepreneurship. But not everything here is simple. The top administration is not ready to give state capital the green light in the new economic conditions and make it a full-fledged market participant. This is felt as one reads the RF President's 10 June 1994 Edict "On Certain Measures To Ensure State Management of the Economy," which speaks mainly of new forms of mutual relations between the state and the managers of state enterprises and of introducing the institution of state representation in joint-stock companies where state property rights have been partially preserved.

Of course, this edict is by no means about state management of the economy as a whole; it pursues the narrower task of creating the prerequisites for effective monitoring of state capital by official organs. But even that is not clearly expressed. There are no clearly formulated goals by which the managers of state enterprises and state representatives should be guided. Even the general goals are vague, for example such goals for directors of state enterprises as "increase accountability for the financial state of the enterprise, efficient use of property, and the results of economic activity." You have to discover what the phrases "increase accountability," "efficient use," and "results" mean. Where are the criteria, indicators, norms, and penalties here?

Some things are cleared up by the 1 October 1994 decree of the RF Government on reporting by managers of federal state enterprises which operate on the basis of contracts and state representatives in the management bodies of joint-stock companies. It says that once a year the manager of a state enterprise submits a report of the enterprise's financial and economic activity with proposals to improve its work to the appropriate federal organ.

The state representative in a company is also ordered to make up a report annually which must report, among other things, changes in the assortment being produced by the enterprise and in investment. All these reports will be

arbitrary and formalistic. The managers are legally accountable only for distortions of the real state of affairs at the enterprise in their reports.

For some reason these and other documents say nothing about the development of market relations with the participation of state capital, and managers and representatives are viewed not as state entrepreneurs but as state servants or hired employees of the state. But in essence they should and can be true entrepreneurs who are supplied with capital by the state and are in fact given the right to make concrete plans for scientific-technical and investment policy with due regard for the income produced by the particular work and to determine the structure, assortment, and cost of output based on the interests of the enterprise and the state.

Somehow or other the fourth stage of transformations has come about in our lives, and we will hope that it will not be killed by the growing agitation in favor of state support for private investment only. Although such support is very important, it should not develop into new expenditures without the right to hold aid recipients accountable. It is best to carry out state commercial measures with the participation of state entrepreneurs, not the state as such. The state entrepreneur will get his part of joint income, use it for development, and pay taxes to the state honestly while also encouraging his partner to do the same. But the 17 September 1994 Edict "On Private Investment in the Russian Federation" completely ignores the institution of state entrepreneurship established by the 10 June 1994 edict, although the new document speaks of strengthening the proportion of stockholdings in state property.

Can we expect that private capital will become a significant investor by itself? It is doubtful. It is spread out among an enormous number of entities: enterprise managers, middlemen, corrupt civil servants, shady dealers, bankers and financiers of various levels, and citizens. Because it is so spread out, the main concentrations are in commercial financial and insurance structures, investment funds, and foreign banks. Part of the capital remains in personal hands, often in dollars. So where the new structures are oriented to pumping capital out of their own clients and industrial enterprises do not want to use expensive credit, it would be premature to hope for private investors to take an active part in restoring the Fatherland's economic health, even if the state provides material support and all kinds of guarantees.

4. So the general result of the policy that has been followed is the observed deindustrialization of the country and exacerbation of the sectoral structure of the economy within this process. We propose to begin correcting the situation with a set of steps that will mark a new stage of transformations. We are referring to increasing the role of the state both in the economy as a whole and in those enterprises where it is a complete or partial owner. We cannot wait any longer for private capital to finally start investing. It will not do this on its own initiative; it will follow in the wake of corporations in which the state participates. Just as it is too early to place our hopes on private farmers in agriculture, although they must be supported, so in industry we cannot orient ourselves entirely to private owners, although they need to be encouraged.

The state should significantly increase its capital investment. This is a lever for direct influence on production; all the others are indirect levers, even ones such as taxes and prices. But after we have greatly increased investment we will have to deal with a surge of inflation. No reasonable government can get by without the one and the other. The increase in investment and unleashing inflation are not in proportion to one another. There are noninflationary sources of investment such as, for example, depreciation and personal savings. In those conditions the fight against inflation will occur against a background of positive changes in the economy and therefore will be successful where today it is hopeless and one can place an equal sign between anti-inflationary measures and strangling production. Furthermore, a direct line of state interests should be established from the center to enterprises with state participation.

The state's rights and obligations should be represented at them by state-appointed enterprise managers and representatives in joint-stock companies. We need to overcome the mismanagement observed today at enterprises that are partly or fully owned by the state.

Duma Deputy on Advantages of Tax Laws Changes

954E0224A Moscow ROSSIYSKAYA GAZETA
in Russian 23 Nov 94 pp 1,3

[Article by Aleksandr Pochinok, State Duma deputy, deputy chairman of the Committee on the Budget, Taxes, Banks, and Finances: "Taxes: Corrections in Our Favor"]

[FBIS Translated Text] On 11 November, the State Duma adopted changes and amendments to the laws, "On the Income Tax From Individuals," "On the Value-Added Tax," and "On the Tax on Profit of Enterprises and Organizations." The texts of these laws now differ significantly from the initial government variants introduced back in April, since numerous changes have been adopted.

First of all, a new income tax scale, proposed by the Choice of Russia faction, was finally adopted. The introduction of this scale was awaited by tens of millions of workers. After all, the scale introduced at the end of 1993 was in effect up until the present time, yet since that time both prices and wages have more than doubled. We will recall that according to the effective scale, if the total income of a citizen exceeds R5 million per year, he pays income tax at an increased rate. Thus, if your average monthly wage exceeds R440,000, then everything over that amount is subject to income tax at 20 percent.

Now, however, the increased income tax will be collected if the average monthly income exceeds approximately R660,000. In other words, practically all workers will pay the tax at the minimal rate.

Thus, now the income tax from total taxable income received in a calendar year is collected in the following amounts:

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Amount of total taxable income received in a calendar year	Sum of tax
up to R10,000,000	12%
from R10,000,001 to R50,000,000	R1,200,000 + 20% of the sum exceeding R10,000,000.
from R50,000,001 or more	R9,200,000 + 30% of the sum exceeding R50,000,000

The second extensive and important change concerns income from sale of property. Currently, according to the effective law, if you sell an apartment, dacha, garden house, or automobile, the sum received from its sale, with the exclusion of 500 times the minimal monthly labor wage (i.e., R10,000,000) is added to your total taxable income, and income tax is collected on it. Yet prices on real estate and automobiles are rapidly growing, and it turns out that practically everyone who sells a three-room apartment or a late-model Volga or Zhiguli automobile must pay tax at a rate of 30 percent. In some cities, even those who sell a one-room apartment exceed this limit. It turns out, for example, that a person who has decided to sell a three-room apartment in the center of Chelyabinsk and move to the northwest must give up R20-R30 million for this.

Such a harsh tax does not exist in practically any major country. Moreover, it is considered prudent to stimulate in any way possible the expenditures of citizens for acquisition or construction of their own housing. For example, in the United States, a significant portion of such expenditures may be deducted from the income in payment of the income tax.

The established procedure of taxation has led to the criminalization of the market in apartments and automobiles. The value of the property sold is shown in the documents to be an order below the actual value. Huge sums change hands without any reflection in documents. Often such deals end in lethal outcome. Sometimes it is proposed that the sum of expenditures associated with the acquisition of property should be permitted as a deduction from income from the sale of this property. However, this is certainly not a solution. After all, most citizens received their apartments free of charge, while the value of automobiles even quite recently was within the interval of R5,000-R15,000. The possibility of deducting such a sum from the current R20-R30 million does not give anything.

In order to resolve these problems, changes were introduced into the text of the law (published in ROSSIYSKAYA GAZETA on 13 March 1992). Now the sale of apartments valued at up to R100 million is not subject to income tax. Also, income tax need not be paid on those monies that you spend on the acquisition of a new apartment or on construction of a garden house. Moreover, if there is documental confirmation that the property being sold cost you more than the nontaxable minimum, then the entire value of this property may be deducted from the income received from the sale. Such a benefit should facilitate revitalization of housing construction in the country.

In connection with the adoption of the Russian Federation laws, "On Social Protection of Citizens Subjected to the Effect of Radiation as a Result of the Catastrophe at the

Chernobyl AES [Nuclear Power Plant]" and "On Social Protection of Citizens Subjected to the Effect of Radiation as a Result of the Accident in 1957 at the Production Association 'Mayak' and the Dumping of Radioactive Waste into the Techa River," the appropriate changes have finally been introduced also into the law on income tax from individuals (Federal law, "On Introducing Changes and Amendments to the RF [Russian Federation] Law, 'On the Income Tax from Individuals,'" adopted by the State Duma on 21 July 1994). Now there are benefits for persons who fall under these laws.

Today the benefits appear as follows: The total income received in a taxable period is reduced by the sum of income, not to exceed for each full month during which the income is received, 10 times (or five times) the amount of the minimal monthly labor wage established by law...

The law did not clearly formulate the benefit for veterans of the war in Afghanistan. One could understand that it relates only to those military servicemen who continue to serve in the army. Now my amendment has been adopted, which synonymously extends this benefit also to former military servicemen who fulfilled their international debt in Afghanistan and other countries in which combat operations were conducted.

Rumors are spreading throughout the entire country to the effect that a tax on interest received from investments and dividends on stock is being introduced. In fact, there were such proposals, but they were rejected. The income tax will not be collected on interest and gains received from investments in banks and other credit institutions, on state treasury bonds, obligations and other securities of the USSR, the Russian Federation, its republics, krais and oblasts, as well as on bonds and other securities of the organs of local self-government.

If a student at a VUZ [higher educational institution] or vocational school works during the vacation period, his earnings in an amount not to exceed 10 times the amount of the minimal monthly labor wage per month will not be taxable for three months.

The benefit for athletes who successfully defend the honor of Russia at major competitions has been increased. While before, prizes valued at no more than 12 times the amount of the minimal monthly labor wage per year (i.e., less than R250,000 per year) were not taxable, now champions and medal winners in the Olympic games, world championships, European championships, the Goodwill Games, and Russian championship and cup competitions will not pay tax on the entire sum of the prizes received.

Closing enterprises have become a sad sign of our times. If you have lost your job and are undergoing retraining at the direction of the state employment service, then the stipends you receive from the State Employment Fund will not be taxed.

Considering the shortage of working capital, at many enterprises it is provided that if the enterprise pays dividends to its shareholders, and they decide to channel them into increasing the working capital of the enterprise, the tax will not be collected.

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The existing procedure under which income tax was collected on most of the business trips granted by enterprises to their workers evoked many complaints. And since the value of the trips is very great, often a "free" trip turned out to be more expensive for a person than his salary.

Now tax will not be collected from sums paid by enterprises, institutions, and organizations to their workers and (or) members of their families, or to their workers and their family members in the order or full or partial compensation of the value of trips for children and adolescents to children's health-treatment institutions, as well as to health treatment institutions especially intended for relaxation of parents with children. The money paid in accordance with the established procedure for compensating the cost of walk-in or hospital services to workers and members of their families is also not taxable. Tax is also not collected if the trip was granted at the expense of monies from the Russian Federation Social Insurance Fund.

Income of amateur hunters from the submission of the furs and meat acquired by them to state enterprises and organizations will now not be taxed, as well as income received by citizens from the sale of wild-growing berries, nuts, fruits, mushrooms, medicinal plants, and birch bark.

The practice whereby agricultural enterprises issue their workers payment in kind is still retained. This payment in kind is not taxable only within the limits of five times the amount of the minimal monthly labor wage (today slightly over R100,000). Now the limit is increased to 50 times the minimum, which already exceeds a million rubles.

Until privatization is completed, we must remember that sums of the value of stock, land shares, and other property shares received by individuals in accordance with the legislation on privatization are not taxable.

A significant error in the legislation has been corrected, and now the taxable income is reduced each month by one times the amount of the minimal monthly labor wage not only for spouses with children, but also for a single parent, widow (widower).

Thus, these changes were introduced and approved by the State Duma. I hope that the long-awaited laws will be efficiently forwarded to the president for signature.

(Other benefits will be described in future issues of the newspaper).

Central Bank Official on Role of Banks in Production Development

954E0235A Moscow *EKONOMIKA I ZHIZN*
in Russian No 46, Nov 94 p 5

[Speech by Vyacheslav Solovov, deputy chairman of the Central Bank of Russia, at roundtable on "The Formation and Development of Banks in Russia. Their Role in the Economic and Spiritual Revival of the Country"; place and date not given: "What Banks Can Do To Support Production"]

[FBIS Translated Text] A speech by Vyacheslav Solovov, deputy chairman of the Central Bank of Russia, at a roundtable meeting on the subject "The Formation and Development of Banks in Russia. Their Role in the Economic and Spiritual Revival of the Country," arranged by the Realists Club and the Investors Club, was devoted to the role of the banking system in supporting production. We bring the text of this speech to the attention of *EKONOMIKA I ZHIZN* readers.

There are almost 2,500 banks in Russia today. In terms of numbers, it can be said that the program minimum has been accomplished. But it is hardly likely that anyone would dare say that the economy is satisfied with the banking service. An overwhelming number of banks have a very small capital authorization, and they cannot perform the entire complex of work in providing client services. There are not enough personnel, and the financial capabilities of the banks are inadequate. It is not an accident that more than one-third of all banks are concentrated in Moscow. This is with respect to numbers, but with respect to the scale of capital the share of Moscow banks is even greater. Only 17 percent have capital from R0.5 to R1 billion, and 4 percent of the banks have capital authorization of more than R5 billion. But just what is scale of capital. This denotes that a majority of our banks do not have the capability to give full service to a particular client. It is not accidental that large industrial and transport enterprises and enterprises of other branches are looking for banks for themselves that would be capable of serving them. However much we would like to insist on the concentration of the services of one enterprise in one bank, the resolution of this problem today, so to say, with a stroke of a pen, is not succeeding. The task of the organizational formation of our banking system and the completion of our work arises, and here there are many problems. If it was only a question of how to strengthen banks organizationally and how to make this system functional, this would be half the trouble.

The banks, after entering into active communications with each other, became hostages of their own policy and their own tactics, and the nonpayments crisis that hit our economy starting in 1992 inevitably brought about a situation in which many banks were forced to suffer, and consciously or unconsciously to be participants in this game. Today, when we talk about the poor payment discipline, often and for various reasons we forget to say that one of the reasons for untimely payments between economic organizations is that the banks that serve these enterprises are in fact insolvent. We have surpluses in correspondent accounts of banks in the Central Bank of the Russian Federation, for example, on the order of R10 trillion. Is this a lot, or not much? For the time being we do not have a clear answer to this question. But one thing is obvious—this R10 trillion is distributed too unevenly to individual banks. Some banks have very large amounts of free money resources, which allows them to play on both the interbank credit market and the foreign currency market, and to influence the level of interest rates for interbank credits, and they operate with a great reserve of stability and from a position of their own financial support.

But the overwhelming majority of banks have practically zero, and sometimes even negative remainders in their correspondent accounts, and they are fulfilling obligations to their clients with difficulty. The Central Bank today is increasingly forced to examine the question of depriving banks of licenses and, as a matter of fact, the question of the bankruptcy of individual banks. We clearly realize that getting carried away by the process of the bankruptcy of banks is very, very dangerous, because we cannot leave the enterprises of individual regions where there are no competitive and sufficiently reliable functioning banks without banking services.

One thing is obvious: The banking system has to be reinforced. And here I am personally convinced that we will not resolve the problem of banks without restoration of the solvency of our economic components.

An industrial enterprise today can get bank credit, even in sufficiently large amounts, but the interest rate is such that only either an unprincipled person who does not bear responsibility for repayment of the credit or a highly efficient investor who finds a niche in our consumer market and ensures the satisfaction of the appropriate demand at a price which will make it possible for him to endure such interest can survive. But the overwhelming mass of proposals for bank credits do not correspond to this criterion, and credits go mainly to middleman operations, which causes an increase in prices, that is, inflation, or to operations associated with maintenance of the liquidity of banks. Many commercial banks rely on creditor banks, and they use the credits, in fact, only to remain afloat. Since there are many such banks, the work goes on, and for many this is an opportunity for earnings at a high level of interest.

Our politicians and economists have not analyzed the reasons why interest rates are growing, and today the 1992 situation, when the point of view that the rate of the Central Bank should be positive in comparison with the increase in inflation prevailed, looks different. To date, we see that a life that is not realistically reinforced by material production has led to the fact that banks have become carried away by speculative operations on the financial markets. Investments in production require long periods, and today the share of credits that fall in the long-term category does not exceed 7 percent. The overwhelming majority of credits are from one day to six months' duration. This is a very serious problem. Given this kind of level of interest rates for credits under conditions of insufficiency among commodity producers of their own resources, it is impossible for us to turn anyone toward a reduction in the rates of price increases.

If producer enterprises do not have their own resources to support production, they are forced to use bank credit. And in our real Russian situation, when at the starting stage the share of credit sources for forming one's own resources exceeded 50 percent, and in individual branches, including trade, it reached 70 and even 90 percent, it was impossible to do without credit. When we stopped issuing credit by administrative means in 1992, we created such an unsatisfied demand for credits, at which time there was also a sharp increase in interest rates for credits, that other

negative phenomena developed. If we do not realize the detriment of such a policy and do not orient ourselves toward a reduction in interest rates, all anti-inflationary expectations will not materialize.

The experience of this year—when energy engineers, metallurgists, and transport workers concluded a "gentleman's agreement" on coordinating their actions and freezing prices and tariffs, as a result of which it was possible to stabilize prices and tariffs on commodities that form the basis of the cost of any product—led me to think about whether we, commercial banks, and commodity producers should also conclude a distinctive agreement. It is not even a matter of a moratorium. After freezing today's 150-200 percent annual rates, maintaining them, and not issuing credit, we will have to calculate that prices will grow by not less than a factor of five or six. Therefore it will be necessary to come to an agreement on a sharp, by an order of magnitude, reduction in the level of interest rates for both credits and deposits. The solution is not simple. It is also necessary to take into account the expectations of depositors to obtain high interest rates on deposits. If we do not create the proper atmosphere, this will not be easy to do. This problem unquestionably requires discussion, and here I want to return to the first problem.

Commercial banks in our country are not children of the Central Bank. Any commercial bank is a joint-stock company of an open or closed type, or a shareholder association, and responsibility for its policy and for its real activity is borne by the founders of the bank and its stockholders. What is the role of the stockholders, especially those who have a controlling block? How do they influence interest and deposit policy, and where the bank invests the resources it attracts, in the interests of production or not, and why do we accept the fact that the basic credit portfolio goes for purposes that have nothing in common with production and its needs? When we say that the image of a bank depends on its reputation, how do we create this reputation? Either with relentless advertising, or with real interest. It is difficult here to find advertising by a bank that conducts a moderate interest policy, or that at least would share the experience of how it guarantees investments specifically in the industrial sphere. The practice of the work of industrial banks, which were created in the first stage on the basis of former Union and republic ministries and departments, shows that practically all of them today are "biting their nails," as the saying goes. The policy of supporting one's own enterprises with cheap credits ends in the final analysis in bank insolvency.

Since I have touched on the problem of nonpayments, no matter how we may try to avoid discussion of this question, and furthermore the adoption of decisions, we will not be able to resolve the problem without answering what to do with state enterprises, or with joint-stock companies managed through controlling blocks of stock, which can also be related to state enterprises from the aspect of providing them with working capital and sources for the formation of working capital, to ensure and to support the process of production. The Ministry of Finance, by virtue of the circumstances of its tax pressure, does not leave enterprises any opportunities for accumulating their own working

capital and basic resources, rather the opposite. The Central Bank is generally deprived of the ability to resolve these questions independently because we issue all credits that go for the purposes of supporting industry and agriculture on conditions that are regulated in both the scope and conditions of issuance essentially by the government. All decisions are made by the government commission on credit policy. According to the law in force, the Central Bank of the Russian Federation does not serve even one production cell. The problem of this credit policy itself emerges. Commercial banks can compete among themselves for credit resources as much as they like, but if the Central Bank does not make issuances, the general mass of the money supply available to the banks cannot increase in practice. Except for the race for deposits, to which all of us were witnesses in past years, it is hardly possible to expect anything from such competition.

The volume of money supply necessary for normalization of guaranteeing accounts can be attained in two ways: uniform issuance of credit (at the same time, we will not resolve the task of ensuring enterprises' current payments capability, and instead of helping production we will ensure a drop in it), or a one-off infusion in order to compensate the accumulated insufficient financing of our economy with funds, and in order on this basis to guarantee enterprises' normal current accounts. The latter will require much preliminary work by the State Property Committee, the Ministry of Finance, the Ministry of Economics, the Central Bank, and organizations of commodity producers at various levels. Only after giving enterprises the financial resources that are due to them will we create a real basis for them to be able to cope with their own debts, and as a result the money supply will drop very quickly in absolute size and will more or less reach a state of equilibrium, in which, of course, there will be bankrupts and defaulters, but they, as the saying goes, will not make up the face of our entire system. I would also like to consider the possibility of such a variant.

Voucher circulation, mutual offsets, and commercial credits are very important for a balanced system and for enterprises that are sufficiently independent of bank capital. But our enterprises are too dependent on banks, and they cannot operate without bank support. If a better solution is found, I also am prepared to play a constructive role in its implementation.

The normalization of the financial situation of enterprises will return the banking business to the civilized stream—these processes are inseparable.

Glazyev on Socioeconomic Policy for 1995

954E0233A Moscow *EKONOMIKA I ZHIZN*
in Russian No 47, Nov 94 p 9

[Interview with Sergey Yuryevich Glazyev, State Duma Economic Policy Committee chairman, conducted by Ye. Proklova: "From Illusions to a Policy of Common Sense"]

[FBIS Translated Text] *For three years now Russia has been going through transformations that are termed "radical economic reform." The changes that have occurred have profoundly affected life in our country. Where do we go from*

here? How do we solve our numerous problems? How can we revitalize privatization activity and orient the development of the stock market in that direction? This was the subject of our interview with S. Yu. Glazyev, chairman of the Russian Federation State Duma's Economic Policy Committee.

[Proklova] Sergey Yuryevich, a report from the Economic Policy Committee prepared for a State Duma session contained these depressing conclusions: "Irreversible changes will occur in the structure of the Russian economy by the end of 1994. The growing trend toward deindustrialization is crossing a qualitative boundary, and Russia is witnessing the emergence of an economy based primarily on raw materials production and trading/speculative activity, an economy typical of developing countries which are wholly dependent on demand from developed countries... The 1995 plans proposed by the government do not contain any means of solving the key problems involved in overcoming this socioeconomic crisis." What is the solution to this situation? Is there any real hope of turning around the current trend?

[Glazyev] An alternative and workable economic policy does exist. For a year now a reasonable program to lead us out of economic crisis has been proposed to the government. It does not contain any fantasy or any miracles. It is based on a summation of historical experience overcoming great economic depressions, of which the depression that now grips the Russian economy is one variety. The program includes measures to stimulate end-user demand both through restoration of the public's savings and through an increase in state purchases. It contains measures that have been quite well tested around the world for increasing investment activity by creating special development institutions and orienting their operations toward stimulation of economic growth points. One important element is a change in the tax system to reduce the tax burden on current economic operations, as well as on investment and innovation activity. In addition, the program contains a fundamentally different concept of reform with regard to property relations. According to our estimates, implementation of this program since the beginning of 1994 would have allowed us to avoid the colossal decline in industrial output that has occurred. We have also repeatedly proposed incorporating this program into the draft federal budget. On the one hand, our proposals pertained to changes in the structures of federal budget expenditures, with the goal of increasing the percentage of funds spent on economic development, primarily for science and education, but also for military-to-civilian conversion as a crucial priority of restructuring. On the other hand, measures were planned that would have expanded the revenue portion of the budget. I will list several of these. First of all, elimination of tax breaks granted in violation of current legislation (according to our estimates, a total of R6.5 trillion [rubles] of such exemptions had been granted as of that time). Then tightening of currency control standards and foreign trade regulation, something that would increase revenues from customs tariffs and collection of excise taxes on imported goods. And, of course, privatization was viewed as an important untapped resource. Yet virtually none of these resources was utilized. Also ignored were our proposals to

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change the structure of budget expenditures. We succeeded in getting only a few insignificant changes. Therefore what we had predicted would happen, did happen: failure of the budget (i.e. a one-third budget revenue shortfall and continuation of the practice of arbitrary withholding of state expenditures), accompanied by intensification of economic chaos and worsening of the economic recession. What is amazing about all this is that the government continues to pursue with astounding tenacity its primitive tactics, according to which minimizing budget expenditures and ending inflationary means of financing the budget deficit will by themselves provide the necessary conditions for revitalizing the economy and overcoming our structural crisis, even though the results of the past three years indicate that this is not happening, that we need the special measures of active state policy that I mentioned before.

There are two matters of fundamental importance in this regard: establishment of order, and reform of property relations. As for the first problem, the failure of the 1994 federal budget can only partially be attributed to erroneous projections. The other side of the coin is continuation of the practice of introducing more and more new tax breaks in violation of the law, despite numerous promises by the government and instructions by the President not to grant any new tax breaks and to review existing ones. According to figures from the Control and Budget Committee, since the budget was passed the total amount of new tax exemptions granted is in excess of R4.0 trillion. According to Economic Policy Committee estimates, smuggling of foreign-made liquor alone has robbed the budget of R2-3 trillion. If one adds to this outright tax evasion, then one may conclude that this year the budget shortfall will be roughly R18 trillion of revenue, simply because of a lack of basic state discipline.

The second important issue is reform of property relations. Recently a list of 500 privatized enterprises was made public. It contains maddening figures indicating that state property has been sold at prices hundreds of times below the actual value of the enterprises undergoing privatization. No speeches about the social orientation of privatization or the unreimbursed transfer of property to working people can justify this sort of immensely wasteful management of state property. In actuality the working people, faced with the de facto confiscation of their savings, were forced to sell their "vouchers" for a pittance. Privatization, as is now becoming clear, was carried out to benefit the middlemen and speculators, who earned billions of dollars speculating on shares in enterprises undergoing privatization. Now there is discussion in the press of many cases in which shares in various Russian enterprises were bought up by purely speculative structures, which then sold them to foreign companies at a colossal profit. As a result our country has come close to being back at square one, with privatization producing nothing either in terms of greater production efficiency or in terms of creating responsible owners in our economy. And the colossal potential resource that was in the state's hands in the form of a huge amount of property has in effect slipped through its fingers and become the basis for criminalization of the economy and an object of speculation by foreign and domestic intermediary

organizations. We warned of this back in 1992. Nevertheless, the situation continued to snowball. And the movement today is in the same direction.

If one takes a look at the list of privatized enterprises, an interesting fact stands out. Most of the truly odious cases of the largest Russian enterprises being sold on the cheap occurred during the latter days of June. That is to say, instead of holding on to facilities that had tremendous value and then selling them off during the money phase of privatization and obtaining maximum revenues for the federal budget, the State Committee for State Property Management offered a huge portion of state property in exchange for "vouchers." It is common knowledge that by June privatization vouchers had been bought up by speculative structures. By that time there was no way it could be said that this giveaway of state property was being done to benefit working people. This grandiose sale of enterprises with the greatest value from a market standpoint during the final days of voucher-based privatization was a conscious act of intentionally selling off property at clearly undervalued prices to benefit intermediary structures, including foreign ones. A number of the largest foreign financial organizations made billions of dollars by reselling shares in Russian enterprises. That is who benefited from "voucher privatization." And the most curious thing is that that system remains in operation to this day.

Despite the virtually unanimous opinion of a majority of State Duma deputies regarding the need to make major changes in the privatization program, it continues along the same lines. And the figures are very telling. The property that could possibly be privatized is estimated to have a value of approximately R300 trillion (at current prices). In the 1994-95 period there are plans to receive only about R10 trillion in revenue from this source. The question presents itself: where are the other R290 trillion? The real dynamics of increasing wealth on the part of intermediary structures that are involved in privatization indicates that our property is actually not in such pitiful condition as some would have us believe. In fact, we could get a great deal of money for some properties, particularly that of corporations in the raw materials sector. Yet that money is not going into the budget, but instead into the pockets of speculative structures which have no connection with labor collectives, the state or Russia's interests. Thus we find such a paradoxical disproportion in the budget: on the one hand, the deficit is being financed through expansion of the state's debt, and on the other there is a colossal gap between the value of privatized property and revenues received from it. From the standpoint of common sense and economic theory such a policy is absurd. There is no way that we can agree with a budget like that.

As for our program, we are proposing a very cautious approach to privatization of federal property. We must halt the chaotic sell-off of what remains of state-owned property, appraise its value and estimate the amount of revenue the state could receive from its commercial use. Then we should continue the privatization program step by step, using it not only as a means of obtaining budget revenues, but also as a very important lever to bring about restructuring. We believe that it is essential to begin creating

financial-industrial groups (FIGs) which would possess their own major resources, thereby ensuring an independent reproduction process despite conditions of economic chaos in the surrounding environment. The experience of Japan, Korea, the United States and Germany indicates that creation of large financial-industrial organizations is a prerequisite of economic stabilization. If we do not do so, then it will be impossible to speak of stabilization of production or stabilization in the financial sector. The de facto fragmentation of major producer units into small pieces (the current version of privatization) has become a source of increasing decline in output and a wave of inflation. In order to stabilize prices and financial proportions and to create the proper conditions for an upturn in production, we must find means of combining financial and industrial capital. The concept of FIGs is one aspect of the solution to this problem.

To sum up, one could say that our program includes alternative directions for economic policy on the road to the emergence of a modern market economy in Russia that will be highly organized and highly technological in virtually all key areas. The government's version is based on the need to concentrate efforts on reducing expenditures, minimizing the budget deficit and adding non-inflationary sources of budget funding. They assume that all the rest will happen by itself. We are proposing an alternative approach. It is essential to focus our efforts on structural realignment while maintaining fairly strict financial restrictions and taking all possible steps to strengthen state discipline and increase budget revenues without resorting to fleecing producers with unbearable taxes. And on that basis increase state demand, take steps to tighten currency regulation, launch an active policy aimed at driving foreign currency out of domestic circulation, and thereby obtain additional resources for increasing the amount of rubles in circulation. This will also create opportunities to restore citizens' savings and increase consumer demand via that mechanism. We must make the transition to a fundamentally different system of budget expenditures that will focus on financing sources of growth and structural realignment.

[Proklova] Is there any real force in society today that supports that position?

[Glazyev] Yes, there is a real force that does. We can see this in the correlation of forces in the State Duma. The ideas I have discussed are embodied in our program and are gaining the support of virtually a majority of all the factions among the deputies, regardless of their political aspirations or ideologies. In my view, the point is that in society today the boundary is not drawn between supporters and opponents of reform, but rather between those who want to achieve restoration of the economic might of the Russian State, and those who are in effect serving the interests of foreign capital and the comprador bourgeoisie by implementing utopian projects of universal liberalization and imposing abstract schemes on our economy. We can see where that is leading. And I must say that society is becoming increasingly aware of the need for a transition to a completely new economic course that would be aimed at structural realignment and modernization of Russian industry, as well as creation of a so-called socially-oriented

market economy, in which the main concern of the state and the government would not be to maintain the formal parameters of the budget deficit and currency emission, but instead to create economic growth and public prosperity, create normal conditions for the operation of market forces, and make our national industry more competitive. Our approach does not reject the need for a strict currency and lending policy, but we assert that such a policy can only be successful in combination with clear-cut, active measures on the part of the state to protect and revitalize the physical production sector.

[Proklova] Recently the securities market has become the focus of greater public attention. What is your assessment of the situation that exists in that area? What role is assigned to the securities market in the concept of state economic policy that you have developed?

[Glazyev] Complete liberalization of the Russian stock market from the very start was a very major error in the implementation of economic reform. The issuance of securities is a very precise tool for servicing reproductive processes in the economy and a highly important means of ensuring investment activity. The fact that in Russia securities have become the plaything of speculative capital is perhaps the greatest failure of the entire economic reform.

[Proklova] Was that done intentionally?

[Glazyev] I think that this was a result of inadequate foresight and failure to consider the fact that the issuance of securities must be quite strictly regulated by the state in the interest of protecting citizens' savings. The state should guarantee normal rules of the game in the securities market so that citizens and enterprises that invest their savings in securities can be certain that they will increase in value. And that is only possible if the money invested is working for economic growth, i.e. is spent for more investment.

If potential investors are offered a simple lottery or pyramid scheme, then the overwhelming majority of the participants get poorer and lose their savings. Basically there is nothing new about that. That is basic economic policy. The world has witnessed many crashes in the securities market, and the recent scandal involving pseudo-stock companies is merely a textbook example of the negative effects that can occur in an economy due to the absence of strict securities market regulation. In Japan, for example, until very recently financial structures had to undergo a very strict appraisal process conducted by state agencies before being allowed to issue securities that would be purchased with the public's savings. Only after the state was certain that income from the issuance of securities would go for real investment projects were they allowed to be offered. That is to say, securities were supposed to be issued only for productive means of capital utilization. That is obvious. But unfortunately we also skipped that crucial stage in the emergence of the securities market, which has gone in a purely speculative direction. Moreover, even the Ministry of Finance has begun the practice of issuing securities following a purely speculative principle, known as the "pyramid principle," in order to finance the budget deficit. Securities are being floated to service previously-issued securities. That will not lead nowhere but to

fiscal collapse. With that approach to the creation of the securities market it is impossible to arrive at a developed market economy.

Recently some steps have been taken in the direction of changing the current situation. An edict on state regulation of the securities market has been promulgated. The State Duma is preparing a draft law. I hope that many of the current loopholes will be closed in the near future, but public confidence in securities has already been undermined. And that fact will sharply restrain and depress investment activity for a very long time. Unfortunately, the course of our economic reform indicates that we are missing the mark at every turn, even though much of this could have been foreseen.

[Proklova] When will this trial-and-error approach end?

[Glazev] When implementation of our economic program begins. However, the appointment of A. Chubays to serve as the chief ideologue of economic reform clearly indicates that we will have to wait a while longer for normalization of economic policy. And unfortunately there is virtually no time left.

New Civil Code Rules Complicate Enterprise Registration

954E0247A Moscow ROSSIYSKAYA GAZETA
in Russian 30 Nov 94 p 2

[Article by Vladimir Sobolev, chairman of the Moscow Registration Chamber: "Going to the Register"]

[FBIS Translated Text] Without exaggeration it can be said that putting the new Civil Code into effect is awaited impatiently. A civilized legal regulation under fundamentally new conditions of management is impossible without it. However, any flaw, ambiguity, or internal contradiction in such an important document will lead to serious consequences.

This also applies to the chapter of the Civil Code, which affects the legal status of juridical persons and the general procedure for their formation and state registration. The 3-year experience in the work of the Moscow Registration Chamber, where 8,000 to 10,000 enterprises and entrepreneurs without the formation of a juridical person are registered monthly, convinces us that the registration procedure does not boil down to the formal act of "appropriation of a number in a journal." Even if the registering body reduces the registration time to zero, this does not at all mean that the time spent on the establishment of an enterprise is shortened greatly. After all, the tax inspectorate, statistical bodies, the pension fund, the mandatory medical fund, banks, the body of notaries, and other organizations participate in the legalization procedure.

The registration process will become complicated unjustifiably if, as specified in the Civil Code, functions of enterprise registration are transferred to justice bodies, which do not have the necessary material and technical base and a body of professional registrars. Furthermore, the tendency toward the licensing principle of registration,

instead of the normative-application principle presently in effect in reality, which is accepted in most countries with a market economy, will intensify.

The licensing system, which is also observed in the draft law on registration, in itself is not a guarantee against abuse and intrigues. Rather the opposite—it creates fertile soil for corruption. Experience suggests that any innovations, which complicate the registration process, lead to its delay and lines, a rush, and, consequently, enterprising people capable of finding appropriate approaches to officials appear. As they say, further comments are superfluous.

In our opinion, this is what should be reflected in the Civil Code: The procedure for the registration of juridical persons—who registers and how and what information is transmitted and how—should be determined in the law (laws) concerning the formation, procedure of activity, and liquidation of certain juridical persons. It is inadvisable to establish a single centralized system of state registration. The existing procedure, under which commercial organizations are registered by a body especially established for these purposes by every subject of the Federation, should be preserved. However, registration rules, as well as the State Register of Juridical Persons and the Register of Names, should be uniform for all Russia. The registration of political parties, religious organizations, and public associations should be reserved to justice bodies.

The registration of most enterprises should be carried out according to the application principle, when founders themselves bear responsibility—property and administrative—for the given information and correspondence of foundation documents to existing legislation. Norms of responsibility should be determined by law and be applied by court order.

If we continue the discussion about the Civil Code, it should be noted that it does not have an exhaustive definition of the types of juridical persons as subjects of public and private law. In practice, this leads to ambiguous interpretations of such concepts as "enterprise," "firm," "company," "association," "corporation," or "consortium..." Thus, in the overwhelming majority of normative acts "institution" exclusively implies a state institution. An appropriate definition of economic associations and partnerships must be given.

Many of the mentioned proposals were sent to the commission working on the draft of the Civil Code. It is a pity that they were not taken into consideration. After all, shortcomings in legislation and contradictions among various normative acts put primarily the bodies that are called upon to execute them in a difficult position. In this sense the case of the issue of Order No 91 of 18 September 1994 on the Moscow Registration Chamber is very instructive.

Indeed, when a gun hangs on the stage, it will go off during the performance. The first act of this play was performed at the end of 1990, when the Law on Enterprises and Entrepreneurial Activity and Decree No 601 of the Government of Russia, which approved the Statute on Joint-Stock Companies, were issued. It openly permitted the establishment of a joint-stock company by one founder in contrast to the law. The contradiction planted at that time "went

off" only this year in the form of a protest by the procuracy of the city of Moscow against the registration of a specific joint-stock company by one founder. The chamber rejected the protest, referring to the government decree. The city arbitration tribunal took the side of the procuracy, referring to the law. The RF Highest Arbitration Tribunal, having examined the appeal, confirmed this decision and it entered into legal force. This is how an order suspending the registration of joint-stock companies with one founder in Moscow appeared.

I realize that it complicates the development of entrepreneurship and the process of attraction of private investments. However, the registering body cannot ignore the court order and register an enterprise, knowing in advance that at any moment its existence can be considered illegal and, thereby, its owners, workers, partners, clients, and consumers can be subjected to risk.

Regional Banking Situation Reviewed

954E0259A Moscow KOMMERSANT-DAILY
in Russian 26 Nov 94 p 6

[Article by Mikhail Delyagin: "The Banking Map of Russia Has Undergone Some Changes"]

[FBIS Translated Text] The events of recent months, particularly a certain slackening in the rigid financial policy of the government at the end of summer-start of fall brought some changes to the banking map of Russia. There was an increase in the number of regions dependent on the support of the federal government. As a result of the continuing nonpayment crisis there was a relative deterioration in the position of regions producing fuel.

1. Regions That Are the Leaders

This category includes regions whose banks occupy leading positions in Russia in the amount of assets. At the same time they rely mainly on financial flow in their regions. Strong banks here naturally, grow out of a strong economy. The banks that are regional leaders are characterized by very limited dependence on government assistance, a predominance of their own branches, and banking expansion. Such regions include: Moscow, Moscow Oblast, St. Petersburg, and Samar Oblast (to a great degree thanks to the activity of AvtoVAZ and AvtoVAZbank associated with it). Until recently Moscow Oblast along with the Leningrad Oblast were among the donor regions. At present, however, mutual penetration of banking systems of Moscow and Moscow Oblast led to the elimination of many differences in the conditions under which they function and to the actual formation of a unified Moscow Region.

2. Regions With an Outstripping Development of Banks

This is a very specific group of regions which did not exist when we published our previous article on this subject (See KOMMERSANT-DAILY of 22 September 1994). It contains regions which are not distinguished by a high level of economic development in general. The banking systems of these regions, however, significantly outstrip the general economic base on which they once started developing. That occurs, mainly as a result of the activity of some very active banks or for certain other reasons. Banks in these regions

attract significant funds from other regions of Russia and are distinguished by a relatively high share of noncredit operations, which evidences their comparatively high level of specialization. The banks of these regions rely primarily on commercial sources of funds and not on government funds.

This group includes five regions: the Republic of Gornyy Altay (primarily due to the activity of the Gornyy Altay Bank), the Republic of Dagestan (according to certain information one of the neighboring republics settles its accounts through the local banks), the Amur Oblast (possibly because of the activation of border trade with China), the Novosibirsk Oblast (with the Siberian Commercial Bank serving as its locomotive of development), and the Tver Oblast (mainly due to the operations of Tveruniversalbank).

It should be noted that certain problems that developed in the case of Gornyy Altay Bank, and particularly those at its Moscow branch, make it possible to assume that the Republic of Gornyy Altay will possibly be dropping out of this category of regions in the near future, sliding into a "lower" category.

As before the Kaliningrad Oblast continues to be a potential candidate for that group of regions, but at the present time it should be included in the group of relatively closed territories, which "digest" their own resources.

3. Relatively Closed Regions

Regions in this group, just as regions that are the leaders, are distinguished by relative correspondence between the level of bank assets and financial flows, but at a lower level. Banks of such regions rely primarily on local financial resources and are not engaged in serious expansion of banking operations. At the same time they are sufficiently strong in order not to become the victims of banking expansion by regional banks in other regions: as a rule these regions are dominated by branches of local banks. A confirmation of the relative independence of the banking systems in these regions is the fact that their reliance on centralized credit investments is below average. At the same time the difference in the level of asset concentration in these regions may be sufficiently large.

This group includes 18 regions: Bashkiria (a drop in the "ranking" of this territory, just as in the case of Tataria, by the way, is probably connected with an intensification of the crisis of nonpayments), Karelia, Udmurtia, Primorsk Kray, the Bryansk, Ivanov, Irkutsk, Kaliningrad, Kermovo, Kursk, Murmansk, Nizhegorodsk, Penzensk, Perm, Sverdlov, Tyumen, Chelyabinsk, and Yaroslavl oblasts.

4. Regions Relying on Government Support

The situation in these regions is reminiscent of the situation in regions of group 2. The predominance of bank assets over national economic means of the region is also characteristic of group 4 regions, but the source of such excess is radically different from the one in group 2 regions. Here that source is not the commercial activity of banks in the region, but massive state financial infusions.

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A high or medium (but never low) dependence on Central Bank credits is indicative of banks in these regions. This conditions their precarious position at the present time since the continuation of a moderately rigid credit policy and a cutback in state aid extended on the basis of preferential terms, will inevitably lead to a worsening in the position of banks in these regions. Thus far, however, the temporary weakening in the financial policy of the government during July-September of this year, led to an increase in the number of regions in that group. There is a total of 17 of them: Buriatia, Komi, Tataria (formerly classified by us as being in group 3), Chuvashia, Yakutia, Altay, and the Altay, Krasnodar, Stavropol, and Khabarovsk krays, as well as the Kamchatka, Kostroma, Magadan, Rostov, Ryazan, Saratov, Sakhalin, and Chita oblasts.

5. Regions Which Are Donors

A peculiarity of the regions in that group is that the assets of regional banks lag substantially behind the financial possibilities offered by the economy of the region. A significant part of the financial flow in these regions goes outside their borders through branches of banks in other

regions. Banks in these regions, as a rule, are not large and for the most part service enterprises within the region. A consequence of the fact that they deal mainly with enterprises is a heightened dependence on centralized credit resources and a growing instability of their position under conditions created by aggravation of the crisis of nonpayments.

This is the largest category in Russia. It includes 20 regions: Krasnoyarsk Kray, Arkhangelsk, Belogorod, Vladimir, Volgograd, Voronezh, Kirov, Leningrad, Lipetsk, Omsk, Orenburg, Orlov, Novgorod, Smolensk, Tambov, Tomsk, Tula, and Ulyanov oblasts as well as the Khanty-Mansiysk Autonomous Region.

6. Outsider regions

A correspondence between the amount of bank assets and their own financial flows at a very low level along with a high degree of dependence on centralized credit resources, as well as a strong influence of branches of banks located in other regions, is characteristic of them. These are territories that are least developed not only in the banking sense but in all other regards as well.

Forms of Development of Banking System Regions of Russia

Типы развития банковских систем регионов России



Key:-)1. Leaders)2. Regions with outstripping development of banking system)3. Relatively closed regions)4. Regions relying on government support)5. Donor regions)6. Outsider regions

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This group includes 16 regions: Adygeya, Ingushetia, Kalmykia, Kabardino-Balkaria, Karchayevo-Cherkessia, Mariy-El, Mordovia, Northern Osetia, Tuva, Khakassia, as well as the Astrakhan, Kaluga, Kurgan, and Pskov oblasts, the Yamalo-Nenets Autonomous Region and the Jewish Autonomous Region.

'Informkosmos' Communications Satellite Company Created

954E0225A Moscow PRAVDA in Russian
24 Nov 94 p 1

[Article by A. Pokrovskiy: "Astronautics Is Great With Ideas"]

[FBIS Translated Text] During the terrible month of October an extraordinary event took place in astronautics. Almost a revolution. The first communications satellite was launched. No, no, not just a preproduction model of the new "Ekspress" generation, but definitely a first. Something such as this produced for the first time without the use of budgetary appropriations.

Honestly, it is astonishing and humiliating to observe how once great firms, which surprised the world with the daring nature of their technical accomplishments, are barely surviving without state support. But it turns out that not all of them have to live with an outstretched hand. Four of them—the joint-stock company of applied mechanical engineering, the Scientific Research Institute of Astronautical Machine Building, the Scientific Research Institute of Radio, and the Scientific Research Institute of Space Communications, formed the Informkosmos joint-stock company for the commercial creation of communications satellites.

The concept was correct. How could it be otherwise since it included some of the country's leading specialists in that field? First and foremost, space communication is acquiring growing significance on the service market. Secondly, the time has come to replace the Gorizont communications satellite system which has become obsolete since the time of its birth in the late seventies. Thus the idea appeared of creating more perfect Ekspress satellites. The shareholders answered the concrete question of where to get the money by saying—we will find it ourselves.

Igor Tsirlin, the director general of Informkosmos, of course, is not inclined to revealing the full details of commercial activities engaged in by the joint-stock company. Basically, however, events developed as follows. Initially, when interest rates were still reasonably low, a bank loan was secured, and the work began. Later, after loan interest rates went up to the level of highway robbery, a series of agreements were concluded with foreign firms and Ekspress made its appearance.

What does the appearance of a new generation of communication satellites promise? It becomes possible not only to significantly expand the complex of communications services inside Russia, but also to organize expanded data exchange with various countries of the world. Judge for yourself. Ekspress provides 12 simultaneously operating repeaters, almost double the number on the Gorizont

satellites. Six transmitting, two receiving, and one receiving-transmitting antennas were installed. Five of them are capable of directional changes on command from earth thereby changing the service zones.

All of the equipment is installed on a platform that ensures high degree of precision in maintaining the position within the geostationary orbit operating point. This platform underwent preliminary testing in the launching of the Gals satellite. This degree of precision, by contrast with the Gorizont system, allows utilization of earth station antennas with diameters of up to 2.5 meters without automatic tracking. In general the possibility of using cheap earth stations in the Ekspress system will make it possible to provide communications in isolated regions of Russia. In addition to that the useful life of this satellite is almost double that of the Gorizont.

It is understandable, however, that a single satellite cannot replace an entire system of them. A total of 10 Ekspress satellites is required. Is that possible?

Yuriy Milov, deputy director general of the Russian Space Agency explains: "We are building preproduction models on our own. But in accordance with the existing agreement the rest of the funds must be appropriated by the government."

I. Tsirlin adds: "But some commercial contacts are also envisaged in case of any problems."

By the way, with the aid of the new satellites it is planned to establish communications on a commercial basis between London—Tel Aviv, Lebanon—United States, Baku—New York, and so on.

That, however, will happen in the future. Right now a couple of weeks of very thorough checking of all systems of the new satellite remain, after which it will be turned over to the Ministry of Communications for use. So, in the near future as you watch a television program or speak on a long-distance telephone remember that you are benefiting not only from technical thinking, but also from the commercial knack of specialists from previously restricted areas.

Minister Details Railway Economic Difficulties

954E0241A Moscow GUDOK in Russian
29 Nov 94 pp 1-2

[Article by N. Davydov: "Face the Client: From an Expanded MPS Collegium"]

[FBIS Translated Text] If railroad transport were a highly profitable sector, it would probably be able to forget about state support. But that is just the point—since the day when prices were liberalized and prices for energy carriers took off into outer space, most of the formerly "prosperous" railroads can hardly make ends meet. Indeed, even that is only due to the continuous indexing of tariffs for freight transport, not without the consent of the Ministry of Economics and the Ministry of Finance, of course.

It seems, however, that insurmountable barriers and impassable have loomed up in this race to survive: the

production slump, the impecunious clients and the high-flying tariffs are increasingly driving freight away from the railroads. The level of analytical work being done to make sense out of the mutual effect of all these factors, as MPS specialists acknowledge, is quite low. As a result, the railroad workers know where the freight is "slipping away to," but they do not know what must be done to keep it from "slipping away."

The expanded MPS Collegium, which took place last week, and examined the course of putting into effect the government decree "On the Joint Actions of the Basic Sectors To Stabilize Prices and Tariffs and Improve Settlements Between Enterprises for Goods Supplied and Services Rendered," may to a certain extent be a turning-away from this point of view. Developing the tariff policy in the sector and improving the system of payments and settlements were also topics of discussion at this collegium.

The report by I. Besedin, deputy minister, and speeches of other members of the collegium, as well as the first deputy directors of the railroads, gave quite a detailed analysis of the present situation. After giving a favorable evaluation to the results achieved in September-October within the framework of carrying out the General Agreement on Joint Actions to Stabilize Prices and Tariffs, and to Reduce Mutual Nonpayments Among Railroads, Power Engineers, Coalworkers and Metallurgists, the collegium established that in November things had essentially slipped back to the position at the beginning of September. The Kemerovo, Moscow and a few other railroads had done successful work, but on the whole the initiative has not been properly developed.

Like it or not, many of the speakers were forced to acknowledge that the period of price and tariff dictatorship, and sometimes even unconcealed pressure, was coming to an end, and that, although not yet very strong, competition was beginning. Debates on whether or not to give railcars to any of the debtors were slipping away into the past. After all, if they are not working, debtor indebtedness will not decrease by itself.

G. Fadeyev, minister of Railways, who conducted the collegium, emphasized the fact that this means we must sit down at a "round table" of negotiations with subcontractors, face the clients and find ways to solve specific problems. There is no other course in the present situation.

Things are going a bit better in places where this was realized earlier. V. Kholmogorov, first deputy chief of the Kemerovo Railroad, gave several examples of efficient clearing operations with the Nizhne-Tagil Metallurgy Combine and other clients, based on bilateral, and sometimes even trilateral agreements. Over 130 of them have already been concluded. Clearing operations amounting to 1.25 trillion rubles [R] have been carried out since the beginning of the year. The railroad is putting into practice schedules for payment and schedules for clearing off debtor indebtedness for transport. It is also using the promissory note system for settlements.

But when V. Dontsov, his colleague from the Moscow Railroad, stated that debtor indebtedness on the whole for

the railroad was only R30 billion today, the minister interrupted him, saying that the speech might end on this note. A result of which not one other road can boast speaks for itself.

All the same, since the railroad is essentially becoming an extra-budgetary department, and what is more, has begun to lose clients, the railroad workers have to look at the tariff question even more critically. Although our existing system of tariffs comes up to world experience, this does not mean that it needs no improvement. To intensify competitiveness with motor vehicle transport for short distances, a differentiated payment is being introduced for sections of from 5 to 50 kilometers. At the same time, tariffs should now be forced to include investment expenses. Transport's fixed capital will not last out unless it is updated.

The collegium devoted particular attention to contractual tariffs. As A. Sidenko, deputy minister, emphasized, they should stand only for what we actually do, and not turn into extortion. In this too, in my opinion, they are looking at the striving to face the client. The lack of grounds for certain demands made of the freight consignors and consignees brings about an extremely negative reaction from the latter. What is entered on the price list should, therefore, in no event "come up" in the contractual tariffs.

Incidentally, the Ministry of Railways has worked out a provisional procedure for applying contractual tariffs for freight transport and additional services, which contains a list of 39 points, enumerating the types of work and services, the prices for which are agreed on directly with the buyer. It is to be introduced in the next few days, after being approved by the Ministry of Economics. The noticeable "alleviation" of the tariffs also stipulates a new tariff manual, which comes into force beginning on 1 December.

On the other hand, the framework of the General Agreement includes the stipulation that, on parity terms—a reduction in debtor indebtedness, prepayments and an increase in the transport volume—the railroad workers can offer rebates on the tariffs. On which freight, at what percent and for what period have not yet been quite clearly determined. A number of speeches expressed the conviction that tariffs must not be lowered to please any one combine or even one group of enterprises—the rest will suffer, and so will the railroads themselves. An audit made of the October Railroad has already revealed cases of this. Billions in benefits for the Apatit Production Association and other clients have, as a result, affected the overall income rate.

In summing up the discussion of the tariff problems, the minister emphasized that the client must, of course, pay for expedited allocation of rolling stock and additional services. But only on a legal basis!

Hardly anyone thought to mention passenger tariffs, even though, as was shown at a recent conference of the sector's

economists and financiers, held in the Moscow suburb of Ruza, this problem is no less urgent and complicated. They can begin to break even only if the tariffs are more than tripled, which is completely unrealistic. The Passenger Main Administration has prepared its own proposals for reducing the losses from long-distance and suburban transport, which are to be submitted as a draft decree of the collegium before the middle of December, not only to the ministry staff, but also the roads, as well as VNIIZhT [All-Union Railroad Transport Scientific Research Institute], and the correlated material is to be submitted for discussion at the expanded December collegium.

The main proposals here are: transition to a differentiated regulation of tariffs, based on the quality of the services offered and estimation of the demand by routes, seasons and days of the week. It is also proposed that an appeal be made to the Ministry of Economics, to have the road chiefs, upon its approval, obtain the right to establish rebates from the tariffs on local-service trains when there is a reduction in the demand for transport. Responsibility for suburban service is to be shifted to joint-stock companies, which the railroads are to set up in conjunction with the administrations of the regions, major enterprises and other organizations involved.

As we can see, a great deal of serious analytical work has been done to ascertain intra- and inter-sectorial reserves, the realization of which would make it possible to lower expenses and increase revenues.

I should like to reprove those directors of enterprises, divisions and railroads who disregard a market instrument such as advertising. Extremely rarely, and in very small numbers do economic directors turn to GUDOK and other mass information media to acquaint customers with the group of services which we can offer. After all, this is not money spent to no purpose, it can be turned into solid revenues, thanks to new customers. I cannot understand why, with such a sharp drop in work, we do not advertise our transport services and potentials. This is a mystery to me.

While the first problem pertained to the strategic tasks facing railroad transport, the second—on completing the preparation of the services and personnel for work under winter conditions—is a tactical one. From the report made by V. Sazonov, chief of the Lines Main Administration, it is clear that the program, outlined as far back as July, has in general been fulfilled on most of the railroads. The sector's services have better indicators than they had a year ago with respect to many types of repair and preventive work. The collegium therefore concentrated its attention mainly on the shortcomings which must be taken under control and eliminated.

If it were not for two or three serious general network problems, on the subject of which debates did develop, as a matter of fact, there would be no need to dwell on this question. But how can one keep silent, let us say, about a case like this. Because of the shortage of wheelpairs on the roads of Siberia and the Far East, about 25,000 railcars are standing idle. The road directors say: "We did not buy

them and are not planning to buy them. No one knows whose railcar it is, so just why do I have to fork out for it."

This is the "problem" that the useless market tossed up, even for railroad transport which has remained under federal ownership. What is mine is mine, and what is common property—that, they say, is yours. The ministry has had to seek reserves to purchase about 3,000 wheelpairs.

The same region has a difficult situation with tank cars, and the Transbaykal Railroad has a problem with electric locomotives. During the first snowfalls and blizzards, a number of roads had frequent track circuit failures. Alarm signals are coming in about the faulty work of the heating systems on passenger trains.

In a word, we can in no way reassure ourselves that the situation is any better now than it was a year ago. Several boiler houses on BAM proved to be inadequately prepared, the lighting at many stations is below any norms.... Winter has already begun, and you can be sure, will hold the negligent to strict account.

The third problem on the collegium's agenda is not a new one, either. Measures to intensify the struggle against freight theft were outlined one, two and five years ago. O. Moshchenko, first deputy minister noted that, after each such discussion, a splash of active preventive work ensues, and then the vigilance dulls and the number of thefts once again increases.

At present, as was made clear in the reports of V. Logunov, chief of the Freight and Commercial Work Administration, and V. Troynin, chief of the Armed Security Administration—an emergency situation has formed, and it therefore requires emergency measures. These are not empty words. If railcars are opened up several times en route, railcars which are not only sealed, but also accompanied by a guard, then, as they say, there is nowhere else to go. In this case the question arises: why are they paying money for the guard?

The increase in the theft of freight with railroad workers themselves participating is causing special alarm. In the 10 months of this year, they have already arrested 1,700 of them. This includes 247 who were Armed Security workers!

I think that A. Bogdanovich, deputy minister, evaluated the situation most accurately. In his opinion, we are faced with a loss of vigilance and with impunity. He said that a station chief cannot help but know if they are stealing on station territory, or he himself is mixed up in it. You cannot, of course, put things right without stiffening the responsibility for robbing railcars.

Someone noted, completely correctly, that the problem of intensifying the fight against theft is closely connected with the sector's economic problems. In the end, these losses really do affect the roads' profits.

Returning to the beginning of the report, I think that it is not out of place to re-emphasize the fact that the railroad workers must now count only on their own potentials and initiative. If any safety-valve is left, it is a price agreement between the basic sectors, due to which our rail cars can

wind their way through the market areas with somewhat greater efficiency. It is simply inadmissible not to make use of this opportunity.

Legal Questions on Re-Imports Answered

954E0252A Moscow PRAVO I EKONOMIKA
in Russian No 32, 16 Nov 94 p 25

[Article by Marina Shestakova, senior scientific associate at the Institute of Legislation and Comparative Jurisprudence, candidate in juridical sciences: "Customs Regimen of Re-Import"]

[FBIS Translated Text] [Begin boxed material] The journal PRAVO I EKONOMIKA is beginning publication of scientific-practical commentaries on the Customs Code of Russia. Today we present for your information a commentary on one of the sections of the Code which contains answers to questions most frequently encountered in our editorial mail. [End boxed material]

Re-import of goods is a customs regimen under which Russian goods exported from the territory of the RF [Russian Federation] in accordance with the regimen of export are brought back in within the times specified by law without payment of customs duties, value-added tax, excise taxes, and also without application of measures of economic policy to these goods.

The customs regimen of re-import of goods is regulated by Chapter 5 of the Customs Code and by the Statute on Customs Regimen on Re-Import of Goods, ratified by directive of the GTK RF [RF State Tariff Committee] on 9 December 1993, No 5251.

What goods may be placed under this regimen?

Not all goods may be placed under the re-import customs regimen. The prohibition extends to foreign and Russian goods taken out of the customs territory of the RF in accordance with other customs regimens (temporary export, export for representation of RF abroad, processing outside the customs territory, transit in case of shipment through territory of a foreign state), as well as goods prohibited for import into the RF and export from the country.

In order for goods to be placed under the regimen of re-import, they must meet the following four conditions:

They must have been taken out of the territory of the former USSR prior to 31 December 1991, and out of the territory of the RF—after 1 January 1992 in accordance with the customs regimen of export;

They must be of Russian origin prior to the moment of export (prior to 31 December 1991—origin of the former USSR) or of foreign origin, and be placed into free circulation on the territory of the RF (prior to 31 December 1991—on the territory of the former USSR) with full payment of all customs duties;

The time in which they are brought onto the territory of the RF is within 10 years from the moment of export.

The date of import is considered to be the day of acceptance of the final document necessary for customs purposes. The moment of export is the day of acceptance of the customs declaration upon export, and in its absence—the day of crossing the border of the former USSR or the border of the RF;

The goods must be in the same condition in which they were at the moment of export, except for changes occurring as a result of natural wear or depletion under normal conditions of transport and storage. Natural wear and depletion are defined by the standards and other RF effective normative statutes relating to this category of goods.

What documents must confirm correspondence of goods to these conditions?

The burden of proof of identity of goods placed under the customs regimen of re-import to the goods which were exported, the fact and the moment of their export, as well as the fact that the goods are of Russian origin, is placed upon the interested party—the importer.

In the absence of a customs declaration or lack of confirmation of the day of crossing the border, the moment of export of goods of Russian origin (prior to 31 December 1991—of goods originating in the former USSR) is considered to be the day of their manufacture. If only the month of manufacture is specified—such day shall be considered the first day of this month; if only the year is specified—1 January of this year.

If the declarant does not have documents on the basis of which the day of manufacture of the goods is determined, an expert investigation may be conducted.

On the basis of what documents are previously paid sums of duties and taxes refunded to the importer?

The refund of paid sums of export duties and taxes is performed upon re-import of the goods within a period of 3 years from the moment of their export. The right for receipt of the appropriate sums arises upon meeting a number of conditions, among these, if:

The goods were exported and imported by the same person, who paid the export customs duty or the export tax, or in whose interests such payments were made—upon application of this person for refund of the paid sums. The application must be filed with the customs agency prior to expiration of one year from the date of adoption of the customs declaration in accordance with which the goods were placed under the regimen of re-import;

A copy of the customs declaration on the basis of which the export customs duties or the export tax were computed and paid is submitted to the customs agency, along with written confirmation of the customs agency to whom these payments were made (or its legal successor regarding the actual receipt of payments in accounts of the customs agencies or directly to the budget);

The tax on export was paid to the customs agency located on the territory of the RF.

Upon failure to adhere to even one of the indicated conditions, refund of the paid sums of export customs duties and tax on export is not given.

Only the sum of customs duty and tax on export is subject to refund, without indexation. Interest on these sums is not paid.

In what currency are these sums returned?

Payment is performed in RF currency, regardless of what currency was used to pay the customs duties.

If payment was made in foreign currency whose rate of exchange is quoted by the CBRF [Central Bank of the Russian Federation], re-computation of the foreign currency into Russian currency is performed at the bank exchange rate in effect on the day the customs declaration with the declared customs regimen of re-import was accepted. If payment was made in other foreign currency, its re-computation into rubles is performed at the exchange rate in effect on the day payment was made.

Refund of the paid sums is performed by the customs agency performing certification of the goods placed under the customs regimen of re-import.

What taxes and duties are paid upon re-import of goods?

Re-imported goods are not subject to import duties upon import onto the territory of the RF.

Upon re-import of goods exported from the territory of the RF after 1 January 1992, the declarant pays the customs agency the sums of value-added tax (NDS), which were refunded in connection with export or from which the goods were exempted in connection with export, as well as excise taxes.

The sums of NDS subject to payment are determined by the rates in effect at the moment of export of the goods. Their computation is performed as of the status on the day of acceptance of the customs cargo declaration, in accordance with which the goods are placed under the customs regimen of re-import. Benefits on payment of the NDS are not applied in this case.

Excise taxes are paid by the declarant at rates which were in effect at the moment of export in regard to goods produced in the RF.

Customs valuation for computation of the sums subject to payment is determined on the day of acceptance of the customs cargo declaration in accordance with which the goods are placed under the customs regimen of re-import.

How is placement of goods under the regimen of re-import formulated?

Customs formulation of re-imported goods is performed at the customs agency in whose region of activity their recipient or his structural subdivision is located. The declarant must submit the following documents: Customs cargo declaration; Permit issued by state agencies, if the re-imported goods are subject to their control; Copy of the customs cargo declaration in accordance with which the re-imported

goods were placed under customs regimen of export, or other documents accompanying the goods which confirm the fact and moment of export of such goods from the territory of the USSR (prior to 31 December 1991) or from the territory of the RF (after 1 January 1992).

In the absence of reliable and documentally substantiated information on adherence to the indicated requirements, placement of goods under the customs regimen of re-import is not permitted.

Customs fees are collected for customs certification of goods. These may be paid in RF currency in the amount of 0.1 percent of the customs valuation of the goods, as well as in foreign currency whose exchange rate is quoted by the CBRF—in the amount of 0.05 percent of the customs valuation of the goods.

Communications Minister on Development of Telecommunications Systems

954E0250A Moscow DELOVOY MIR in Russian
22 Nov 94 pp 1,4

[Interview with Russian Federation Minister of Communications Vladimir Bulgak, conducted by DELOVOY MIR observer Moisey Gelman: "Communication Without Interruptions"]

[FBIS Translated Text] For decades, our country's telecommunications significantly lagged behind the world level. Electronic communications systems were introduced primarily in the higher agencies of state administration, in the army and the KGB [Committee for State Security]. In the national economy, and especially for the public, communications developed according to the residual principle. Moreover, these were primarily traditional forms: Telegraph and telephone. However, without well-developed current systems of telecommunication, we will not really be able to build a market economy and integrate ourselves into the world economy. This subject became the topic of discussion between our DELOVOY MIR observer Moisey Gelman and Russian Federation Minister of Communications Vladimir Bulgak.

[Correspondent] Vladimir Borisovich, judging by international standards, to what degree is our country equipped with various systems and means of communication, and what are the prospects for their development?

[Bulgak] Russia's network for transmission of general use information is one of the largest in the world. It represents a branched system of cable, radio-relay and satellite lines, along which a multitude of telephone and telegraph communications is transmitted, as well as television and radio broadcasting programs. Due to historically formulated circumstances, a significant amount of information is transmitted in our country along above-ground lines. One of the indicators reflecting the technical level of communications development is the extent of inter-city telephone channels using satellite systems. At the beginning of 1994 in Russia these comprised only 3 percent of the overall extent of telephone channels, while cable and radio-relay lines accounted for 95 percent. This is explained by the fact that the density of the communications network of Russia is

higher in its central region (up to the Urals), where the use of satellite systems for organization of telephone channels is economically inexpedient.

The Asian section and the regions of the Far North and the Arctic, where the population density is low and the distances between most population points are great, is quite another matter. Here the use of ground-based lines is often impossible and in most cases economically unprofitable. Therefore, means of telecommunication based on space apparatus are ever more widely introduced there. The use of highly elliptic, geo-stationary and low-orbital satellites has made it possible to create an extensive system of telephone, telegraph and telex communication, as well as television and radio broadcasting. On the basis of the "Gorizont" satellites, a network of international satellite communication, "Intersputnik," has been created. Moreover, Russia is a member of other similar international organizations—"Intelsat" and "Eutelsat."

We must build and develop telecommunications systems by optimally combining ground-based cable, radio-relay and satellite channels. Satellite systems alone cannot solve all the problems: Their passage capacity is inferior to that of optic and radio-relay lines. Therefore, the latter are used in those sections of the network where it is necessary to create the largest conductor of inter-city telephone channels.

The residual principle of financing which has been applied for many years has led to the fact that, for such an indicator as telephone density per capita of the population, we are in 33rd place in the world, and 21st in Europe. Our current inter-city and local telephone network on the whole does not correspond to the world level. By the end of 1995, local telephone networks of Russia are to be expanded to 25.6 million numbers, with the number of telephones increasing to 19.2 per 100 residents, and by the year 2000—to 27 per 100 residents. Thus, every second family in the city and every fourth one in rural areas will have a telephone.

In the inter-city telephone network, by the end of 1995 we plan to introduce into operation or expand 50 automatic stations, primarily electronic and quasi-electronic, with overall capacity of 145,000 channels and lines. This will make it possible to bring the level of automation of inter-city telephone communication to 89 percent, instead of the existing 80 percent.

From Russia, one can place a call to 168 countries throughout the world.

In accordance with the "Conception of the Russian Federation Program in the Sphere of Communications," ratified by the RF [Russian Federation] government, the existing networks and means of electronic communication are being modernized, primarily on the basis of current digital equipment and fiber-optic cables. New services are being offered, such as transmission of data with rotary switching, digital networks with integrated services, cellular networks, and the use of satellite systems for local telephone communications in inaccessible and remote regions of Siberia, the Far North and the Far East. Today any interested consumer

(Russian or foreign) may conclude a channel leasing agreement with the owner of the network. The conditions are specified at the time its compilation.

The prospects for development of electronic communications in Russia are primarily associated with the plans for creation of a general use digital network by the year 2005, equipped with current switching stations and information transmission systems. In 10 years, we plan to expand a national network with capacity of around 20 million subscribers. Its cost will be approximately \$40 billion. The program presupposes the creation of a digital inter-city telephone network 50,000 kilometers in length, containing around 50 automatic inter-city stations, 7 automatic switching transit centers, and 7 international stations. It will offer its subscribers, of whom 600,000 will be business people, the entire spectrum of current services.

[Correspondent] What telecommunications systems can potential investors invest their money in?

[Bulgak] Russia is extremely interested in communications apparatus, equipment and cable products, especially for digital systems, whose sales market is huge. And therefore, investments in their production are rather lucrative.

Unfortunately, we must say that matters are going rather poorly with the production of this equipment at domestic enterprises. Current electronic inter-city and international telephone stations are not being produced. It is true, the development of a domestic city station of the S-32 type is being completed, but it is still a long way from mass introduction.

Joint enterprises, which according to the initial plans should have assimilated the output of foreign prototypes of switchboard equipment and apparatus for information transmission systems still have not been able to reach the planned volumes of production.

Investment of funds into the creation of a digital overlay general use communications network (project "50x50") is promising. It will make it possible to ensure provision of services corresponding to world standards on the territory of Russia.

[Correspondent] And the last question which worries the publishers of all newspapers and journals. How can we reduce the cost of their delivery to subscribers?

[Bulgak] The distribution of printed matter has always been unprofitable for communications people, and inflation especially has made it impossible to make this service profitable, since expenditures for shipment and delivery of printed matter are constantly increasing, while the income determined at the time of subscription, 8 months prior to the start of provision of these services, remains unchanged. Therefore, postal communication bears losses (according to the results for 1993 they comprised over 60 billion rubles (R), and for the first half of 1994—already R70 billion). Considering the social significance of this service, the level of profitability of postal communication institutions is set at no higher than 5-10 percent. The rates on services for

distribution of printed matter established by communications providers were repeatedly verified and found to be justified.

The reduction of subscription prices may be achieved either at the expense of special-purpose state subsidies of editorial offices, publishing houses and distributors, or by introduction of tax benefits.

In a number of regions, postal communications already receive local benefits in payment of taxes, leasing of facilities and public transport, as well as subsidies from the local budgets. Naturally, here the prices on delivery of printed matter are significantly lower. However, this question must be resolved also at the federal level.

At the present time there is a demonopolization of the distribution of printed matter by subscription. A competitive environment has been formed in the centralized processing of orders for SMI [mass media]. Structures alternative to the mail are being formulated to expedite and ship printed matter, to take subscriptions, and to compile and process orders in the regions. The Ministry of Communications is helping with their formulation in every way possible. However, the monopolism of the mail for delivery of printed matter will exist for a long time to come. Due to the high expenditures which are required at this stage, as well as the heavy tax burden, which only a large state organization can endure, the emergence of a large number of structures alternative to the mail in this type of activity remains rather problematic in the near future.

Critical Fuel Deliveries Delayed to North

Kuybyshev Refinery Problems

954E0203A Moscow GUDOK in Russian 18 Nov 94 p 2

[Article by GUDOK correspondent V. Grechanin with the editorial introduction "Power Generation Industry Is Waiting for Fuel": "Shipments Have Been Delayed"]

[FBIS Translated Text] The main installations of the nuclear shipbuilding center in Severodvinsk and the Plesetsk state cosmodrome testing facility continue to be on an energy "starvation diet."

Because of the acute fuel shortage at the Arkhenergo Joint-Stock Company's thermal electric plants, all industrial customers, with the exception of enterprises providing for the population's vital needs, have been cut off. True, there are also some positive improvements. In Arkhangelsk, for example, where the situation was approaching a critical one, they have managed to establish a supply of fuel oil for the complete operation of the city's heat and electric power station for two days. As a result, the hot water supply for homes has been restored. A total of 170 tank cars with fuel oil should arrive in Arkhangelsk Oblast. This is approximately a day's requirement for the region's main energy capacities. There is a made-up schedule of fuel deliveries for the next four days in the oblast administration. In accordance with it, it is assumed that the fuel problem's urgency will lessen somewhat.

Shipments Have Been Delayed

SAMARA—Although the Kuybyshev Railroad coped in October with its petroleum product shipment plan, this fact did not evoke any special satisfaction among the railroad workers—and not only because the shipping volume was less than September's, not to mention last year's level. The inconsistent operation of oil refinery enterprises does not inspire optimism. Their multibillion debts to the production people are turning into a reduction in raw material deliveries. As a result, the oil refineries in Samara Oblast are finding their rhythm with difficulty after the prolonged September idle time.

At the same time, the problem of shipment addressees is "lying heavy" on the refineries; the potential recipients of fuel and fuel oil are not able to pay for the deliveries. For example, because of both reasons, the daily requests for empties, at times, did not exceed 350 tank cars—a third of the usual number—in the Bashkir Division during October's first two 10-day periods. It was only during the last 10-day period that the enterprises bucked up their work, thanks to which the railroad workers managed to extract a generally modest monthly plan.

However, such a situation in no way facilitates the work with tank cars. The renovation of their pool on the network has been seriously delayed. The repair of existing ones is being held back by the shortage of assets and spare parts, especially wheelsets. Almost 1,000 of the tank cars, which are now on the Kuybyshev Railroad, require their replacement. As before, a mechanism for the timely return of empties from unloading railroads, in particular, from Moldavia [Moldova] and Ukraine, has not been set up. There is now a regular ban in effect on shipments to these regions—as before, there are more than 3,000 tank cars there.

Under these conditions, the loading stations are trying to make wider use of empties belonging to various transport structures based on ownership rights. A larger portion of light petroleum products is being transported in them.

The railroad was able to accelerate tank-car turnover noticeably last month. Nevertheless, there are still quite a few unused capabilities here. The Samara, Ulyanovsk, and Volga divisions are not adhering to the norms for unloading tank cars. The Bashkir has delayed the movement of empties. Incidentally, the monitoring of an empty's arrival, including those that have not been officially registered documentarily, also needs reinforcement.

The importance of this work will undoubtedly grow in the next few months. With the arrival of cold weather, the need of the thermal power engineers for liquid fuel will intensify. The rivers are just about to stand still, and shipments by rail will inevitably increase.

... And the loading picture still remains a dreary one. During the first 10 days of November, the average daily dispatch of petroleum products was lower than October's. The heavy pressure of the financial mess also lies heavy, as before, on both suppliers and recipients. The market's positive impact in this regard is being displayed perhaps by only one extremely typical feature: An empty that arrives at

a washing and steaming station is almost completely devoid of fuel residue. It seems that the customer has learned to count his money....

Yaroslavl Area Difficulties

95E0203B Moscow GUDOK in Russian 18 Nov 94 p 2

[Article by GUDOK correspondent V. Khovrin: "A Strained Situation"]

[FBIS Translated Text] YAROSLAVL. V. Krylov, deputy chief of the Northern Railroad's shipping service, said: "V. Bukhovtsov, a deputy chief of the railroad, and I have just visited the oil refinery. The fuel situation is an extremely strained one. Dozens of customers are asking one thing: 'Give us fuel oil.' However, many requisitions are remaining unfilled."

Yes, the Yaroslavl refinery had a large debt to its customers at the end of the year. According to data from the main-line's administration, the shortfall in the plant's shipping plan for all types of fuel is more than 100,000 tonnes. Things are especially bad with fuel oil deliveries. By the middle of November, the refinery was short 30,000 tonnes of it. This means that primarily the heat and electric power stations and boiler-houses, which supply the city and the rayons of a region extending from the Volga to the White Sea, are on a starvation diet. Oil arrives in Yaroslavl for refining over a pipeline from Surgut. However, they are receiving only 30-40 percent of the previous amount of it here. The refinery owes the oil workers a great deal and they are driving the oil past the enterprise in expectation of payments; they are basically selling it for export.

The refinery workers are planning to refine 8,000-9,000 tonnes of fuel oil before the end of November. Each tonne has already been assigned a specific address. A total of 1,200 tonnes will go to the needs of TETs-3 (Heat and Electric Power Station-3), which feeds the plant itself and the workers' settlement. Yarenergo enterprises will receive a thousand tonnes. A total of 3,000 will be delivered to Arkhangelsk. Smaller customers are waiting impatiently for the rest of the fuel oil. Not a tonne has been allocated to Petrosavodsk because there is nothing to share.

In a word, the threat of an acute shortage of heat and electrical energy in the region is a real one. Should one again expect emergency measures?

Economist Hits Fiscal Policy, Budget Errors

MM1011130994 Moscow ROSSIYSKAYA GAZETA in Russian 10 Nov 94 First Edition p 2

[Report by A. Yevgenyev of comments by economist Pavel Bunich: "Pavel Bunich: 'Don't Cut Everything That Grows. There Seems To Be Hope of Starting the Year With a Ratified Budget for the First Time in a While'"]

[FBIS Translated Text] Like any subject, the budget can be viewed from different angles. We will try to clarify two things—what it has in store for entrepreneurs, and how budgetary policy is working to attract investment.

Until the very last minute the draft budget was linked to tax reform—at any rate, with the first stage of it. The current

system of taxation was brought in by Gaydar, and it was adapted to the tasks of the time. Now it is clear that the reform has gone by the board and, consequently, at least a year has been lost for major tax reforms.

That is a shame. But, irrespective of this, everyone recognizes that we place a heavy tax burden on producers. And we need to redistribute it in such a way as to ensure that part of the burden is shifted away from entrepreneurs and onto the population. And in no circumstances affecting the poor or middle-income earners—whose living standards are already low—but targeting exclusively the rich, who are often wasteful and are today by no means a small section of the population. This plan has been repeatedly voiced at the top level. And it would be logical to expect that it will finally be directly reflected in the budget.

Just what can we see? Judging from the drafts of the budget and laws published in ROSSIYSKAYA GAZETA, certain tax springs have indeed been slackened. Profits tax and VAT have been reduced in total, but, on the other hand, property tax has increased. And, according to my calculations, it will more than make up for the money saved on the first two. It should be explained that, by its very nature, property tax affects producers and people with capital, while having virtually no impact on the middlemen or the trading system—consequently, it will be yet another incentive to move funds out of production and into the sphere of circulation. How much might be affected?

Nonetheless, the documents reaching the State Duma claim that taxes on entrepreneurs in 1995 will be cut. What kind of riddle is that? Just how will it be done? If you dig into the figures you realize where this reduction will come from—nonbudget sectoral funds are being scrapped. In order to imagine the scale of the operation it has to be said that taxes account for 45 percent of GDP. One-third of these are federal taxes, another third are local taxes, and the other third are formed by nonbudget funds. So this is a big slice of the economy. These funds finance hundreds of enterprises and are used to maintain many sectoral programs. Particularly in the fuel and energy complex, transportation, metallurgy, construction.... And now we are going to cut them all in one fell swoop—is that justified? I fear we will be making a stupid mistake and that it will be a long hard job to subsequently restore what we have destroyed. It would be better to simply remit this money to the budget. Yes, the money would lose its nonbudgetary nature, but it would be retained as a source of funding for enterprises which have no other type of support or which have to resolve their own specific tasks.

In short, I cannot share the optimism shown by the ideologues and the people who drafted the budget—entrepreneurs' lives will not become any easier; they are more likely to become even more complicated.

Now to turn to investment. In terms of the big picture there is nowhere to raise investment—the centralized system is not working. So why not attempt to give the enterprises themselves a real interest here? Half of the profits being spent on developing them are currently not taxable. I think we could go further and take all "investment" profits out of

taxation. People will hide profits less and invest them more. This is a major concession and I have no doubt that it will sway some people.

We have been talking about this for some years. But we are doing exactly the opposite—the investment faucet is being turned off tighter and tighter. It is well known, for instance, how alarming the research and development situation is. Not for nothing has this sector been exempted from VAT. As of next year it has been decided to abolish this, in my view, entirely justifiable privilege. More and more often you hear it said that dividends invested by enterprise workers in developing their enterprise will also be taxed. Yet dividends today are “worth their weight in gold”—a very important source of investment. Their importance will grow even further in the future. So why are we clipping our own wings? The Finance Ministry has even targeted individual construction. Expenditure on building apartments, dachas, or houses has hitherto been exempt from VAT. As of the new year a 20-percent VAT rate is being introduced and, consequently, construction will become commensurately more expensive. If things continue in this direction, only “moneybags” will be able to afford it. But maybe that is the objective of the farsighted Finance Ministry officials—ordinary people will no longer build for themselves (it will not be worth it), and there is nothing wrong with fleecing the rich. I do not think this is right.

Small businesses are having a hard time. The rule of thumb is—the more we talk about them, the more we hamper and harm them. For instance, tax concessions have long been given to construction materials enterprises, but the construction industry is to be deprived of even this prerogative as of next year. Formerly no property taxes were levied on enterprises in their first year of existence. From now on they will have to pay. Yet new enterprises are very small. We are no longer building large ones. An additional criterion—quarterly profits of 615 million rubles [R]—is being introduced to determine who is covered by the definition “small business” and who isn't. If you exceed this figure by even a single ruble, you will no longer be considered a small business and automatically lose all your concessions. I could understand if the limiting factor were the amount of capital or the number of workers.... But profits and labor productivity?! It is patent nonsense.

As is well known, we have set up a small-business support fund. The draft budget has allocated R5.7 billion to it. That is, R3,000-6,000 per small enterprise per year—depending

on the method of calculation used. Those are laughable amounts of money these days. It would be better not to give anything. But the deed has been done—the support has been earmarked.

There are many unclear aspects—not only to me—about the way the budget deficit is to be covered. Undoubtedly, it is tempting not to make use of inflationary sources. But there are two sides to everything. It is planned to increase the proportion of foreign loans from 23 percent in this year's deficit to 40 percent in next year's; and to raise the proportion of securities from 7 to 60 percent. This is revolutionary—there is no other word for it.

But that 40 percent of the deficit to be covered out of foreign loans means that our debt to Western creditors will increase by \$10 billion. Where will we get the money to pay it off? When will we have to pay the interest and how much will it be? When will we have to repay the principal? Those are just a few questions. Judging by everything, the bonds issued by the Bank for Foreign Economic Activity will not save us—they are the wrong commodity. We may be able to raise some money from selling Russian joint-stock company securities abroad, but this has no impact on the state budget, since the securities are owned by the joint-stock companies themselves. Prices of oil—our main export—are falling on the world market. So it is not very clear on what the government's calculations are based.

The same is true of securities. People are mainly buying our three-month bonds, the situation is far worse with six-month bonds, and there is no point mentioning one-year bonds. The latter were offered at a yield of 450 percent—even so, two-thirds of them were not taken up. So how are we suddenly going to have a bond boom? And what sort of yields will have to be on offer to ensure that the short-term state bonds are bought up? The cabinet will have to explain all this in detail, because so far the scheme smacks of a Mavrodi-style scam. What is the most worrying aspect? We will be bearing down on inflation now, but tomorrow, when the time comes to pay our debts, it will burst forth like a fountain with deadly renewed force. Who needs that kind of victory?

Nonetheless, I believe that there is hope that we will get a ratified budget—if not at the end of this year, then early next year. Everything will depend on the quality of the future joint work to be done between the State Duma and the government.

POLITICAL AFFAIRS

Crimean Republicans Deplore Rada Action

954F0449A Simferopol KRYMSKIYE IZVESTIYA
in Russian 29 Nov 94 p 1

[N. Gavrilova report: "Congress of Republicans"]

[FBIS Translated Text] The latest, fifth, congress of the Republican Party of Crimea (RDK Party) was held last Saturday in Simferopol. The congress discussed the report of Party Chairman S. Tsekov on the political situation in Crimea and the party's tasks and also reports on the state of party discipline and ideological and information and propaganda work. A number of pertinent resolutions was passed.

The congress also adopted a statement on the recent decisions of the Supreme Council of Ukraine on Crimea abolishing most important legislative acts of the Republic of Crimea. The congress termed this decree the latest attempt to call in question the right of the people of Crimea to their own statehood. The party expressed indignation at the one-sided interference of the Supreme Council of Ukraine in the legislative field of the Republic of Crimea.

The position of the party, the statement says, is that all provisions of the Constitution of Crimea are based on the will of the people, and for this reason constitutional statutes cannot be revised by the parliament of Crimea without the participation of the people. The continuation of firm and consistent work to strengthen the statehood of Crimea and to shift relations between Crimea and Ukraine onto a democratic constitutional and treaty footing in accordance with the constitution of 6 May 1992 is essential.

The RPK/RDK advocated the Supreme Council of Crimea making a worthy response to the Supreme Council of Ukraine's infringement of the rights of the Republic of Crimea and its citizens.

Franchuk on Impending Russia Trip

954F0464C Simferopol KRYMSKIYE IZVESTIYA
in Russian 30 Nov 94 p 1

[Report by V. Savchenko: "Get Ready, Russia, To Meet the Crimeans!"]

[FBIS Translated Text] The Government of Crimea is actively engaged in a search for a way out of the current economic situation. A package of new documents making it possible to switch more actively to realization of the decree on open-economy conditions was considered at a meeting of the government a few days ago. It is very important in this connection to generate relations with various regions of the CIS. This was what Prime Minister Anatoliy Franchuk said yesterday in conversation with journalists.

"Preparatory work is being performed currently on my trip to the Russian Federation. A group of specialists, which is preparing proposals for consideration at a high level in Moscow, has been assembled in the government. Meetings with A. Bolshakov, deputy prime minister for the CIS countries, the ministers of energy, fuel, coal, and the

chemical industry, and the chairmen of the state committees for military-industrial issues and material resources are anticipated.

"The purpose of the trip is to regulate the provision of enterprises of various sectors with material resources and to obtain orders and also to negotiate the dispatch to Crimea of consumer goods. But we have no wish to be mere supplicants. The possibilities of the agriculture and industry of Crimea, in whose products Russians could be interested, are being studied to this end. That is, we will be deciding questions of the opening of a commodity line.

"Meetings with businessmen for the organization of joint ventures are contemplated in Russia. Questions of the cooperation of Crimea and Moscow will be studied. We hope that we will meet with mutual understanding on the part of Mayor Yu. Luzhkov here.

"Crimeans already have certain practical experience of cooperation with the regions of Russia. Specifically, a great deal of work was performed in the past month with the Russian Gaz joint-stock company (Nizhniy Novgorod). This joint-stock company has sent Crimea's agriculture 500 motor vehicles for 600 million karbovantsy each. Each is cheaper by 350-300 million karbovantsy than its selling price in other regions of Ukraine. This is of great assistance to the countryside. In addition, we will obtain for our coffers 25-30 billion karbovantsy from the quantity of vehicles purchased. Six freight cars carrying spares for motor vehicles in operation have been sent to Crimea also.

"The question of the Republic of Crimea's participation in the development of oil wells will be decided also. There is a preliminary arrangement on this matter with Yu. Raketskiy, head of the administration of Tyumen Oblast.

"Subsequently, we will work on the conclusion of agreements with Belorussia [Belarus] and the Baltic countries and Kazakhstan. The interests of these countries are similar to ours.

"The government is currently preparing a program of a way out of the crisis. We appeal to all citizens and scientists who have proposals, sections, or alternative programs: We are prepared within seven to 10 days to consider them, discuss them, and to include all that has been developed in depth in the future program of the economic development of the Republic of Crimea."

Zvyahilskiy Urged To Return to Ukraine

954F0461A Donetsk AKTSENT in Russian
30 Nov 94 p 1

[Unattributed article: "Grigoriy Appeals to Yefim"]

[FBIS Translated Text] The statement of Grigoriy Omelchenko, chairman of the Ukraine Supreme Council Standing Commission on the Fight Against Corruption and Organized Crime, was addressed via the mass media directly to Yefim Zvyahilskiy:

"As the head of a commission and as an officer, I appeal to you: Come to Ukraine. I promise you an objective investigation of the criminal case. Present all the documents you have at your disposal that might vindicate you. And, if you

are not guilty and the court acquits you, I give you my word as an officer—on the day following the acquittal and its entry into legal force, I will voluntarily leave the post of chairman of the Supreme Council Commission on the Fight Against Corruption and Organized Crime..."

Grigoriy Omelchenko also called upon Yefim Zvyahilskiy to send the commission photocopies of dossiers he has on the former and current powers that be in Ukraine, for their complete and comprehensive joint examination by the Ukraine Security Council and General Procuracy, promising that they will act exclusively within the framework of the law. Such a gesture would be considered a mitigating factor in ascertaining Zvyahilskiy's guilt. Grigoriy Omelchenko stated that the law enforcement organs of Ukraine guarantee the personal safety of the former acting prime minister should he return.

Donetsk Communists on Local Government

954K0382A Kiev MOST in Russian
No 45, 10 Nov 94 p 2

[Article by Yuriy Gornovoy: "Donetsk: People's Rule in Spades. Red"]

[FBIS Translated Text] Last week, members of the communists' interdeputy association "For Social Justice and People's Rule" held their second assembly in Donetsk. Late last summer, communist deputies on all levels, from the village to the city and up to the top levels, agreed to hold such meetings regularly and to coordinate joint actions there. This time, communist deputies—there were more than 120, including nine from the Supreme Soviet—agreed on their stance regarding the Ukraine Draft Law "On Local Soviets of People's Deputies" and the president's policy on price formation.

Convinced that they are firmly ensconced in the soviets, the communists intend to consolidate their positions in the state as a whole. You have to give due credit to their strategists—they have a pretty good plan. The communists set forth the logic of their further actions designed to remove executive structures from power in a message to the president and the Supreme Soviet. First, they intend to change the mechanism of forming executive bodies in the localities. The communists are insisting on deputies' right to nominate deputy chairmen of executive committees and heads of departments in executive committees, also the right of the people's elect to nominate themselves for those posts. The communists think that the head of local authority should not have the right to form the executive committee on his own. According to the left's scenario, the chairman of the local soviet himself would from now on have to be elected from among the deputies by secret ballot at a session of the relevant soviet.

After consolidating their "people's rule" this way in the local bodies of government, the communists intend to extend it to all the rest of the legal space. In their "message" they stipulated that all institutions, organizations, and enterprises—without regard to the form of ownership—must be under the control of and accountable to the soviets in the territory where they are located. In order to ensure that there is plenty of "people's rule," the left-wing deputies

propose increasing the number of the people's chosen, and to make it available to everyone they want to hold the next elections to the soviets on the production-territorial principle. The communists reinforced their proposals for the draft law "On Local Soviets of People's Deputies" with a statement regarding the president's policy on price formation. The purpose of this statement was reflected in no uncertain terms by the left bloc's rallies on 7 November. The carefully planned "demonstrations of the people's indignation" in recent days look like an artillery preparation prior to the left's next offensive against the president in parliament, where the issue of prices and wages will be harped upon as a tool to push the law "On Local Soviets" through with communist amendments.

Tatar Allegations Against Russia Deplored

954F0464A Simferopol KRYMSKAYA PRAVDA
in Russian 30 Nov 94 p 1

[Unattributed report on Russian Party of Crimea statement: "Russia Is Not To Blame"]

[FBIS Translated Text] The Russian Party of Crimea Press Center has distributed a statement in connection with the notice of V. Pasyakin, "In Kiev on Crimea," which appeared in KRYMSKAYA GAZETA for 24 November 1994. Informing readers about the international conference on the return of the Crimean Tatars to the Republic of Crimea that was held in Kiev, the author quotes Mustafa Dzhemilev, leader of the majlis: "It is essential to restore the statehood of the Crimean Tatar people, whom Russia chastised."

Whereas the statehood of the Crimean Tatars may still be open to argument, the majority of the Russian population and supporters of the Russian Party cannot agree with the second part of the statement. The leaders of the majlis should be reminded that in the years of Soviet power and the one-party system, all repressive measures against the Russian, Ukrainian, Crimean Tatar, and other peoples were implemented by the totalitarian regime in the shape of the NKVD and other punitive organs. To personify this regime and its punitive structures with the state of Russia is politically and historically incorrect. Such statements simply do not contribute to interethnic trust and wound the national feelings of the Russian people living in Crimea and Ukraine.

Such statements are unethical also in respect to today's Russia, which, going by the words of L. Smolyakov, ambassador of Russia in Ukraine, has undertaken to render the Crimean Tatars material assistance.

Russian Experts on Ukraine Relations

954F0449B Simferopol KRYMSKAYA PRAVDA
in Russian 29 Nov 94 pp 1-2

[Speeches by K.F. Zatulin, chairman of the Committee for CIS Affairs and Relations With Compatriots, and Professor A.M. Migranyan, member of the Presidential Council, at the "Russian-Ukrainian Relations" parliamentary hearings conducted by the Committee for CIS Affairs and Relations With Compatriots of the Russian Federation State Duma

on 15 November; prepared on the basis of a tape recording by T. Ryabchikova: "View From Moscow of Crimea's Problems"]

[FBIS Translated Text] [begin box] As reported, on 15 November the Committee for CIS Affairs and Relations With Compatriots of the Russian Federation State Duma conducted the "Russian-Ukrainian Relations" parliamentary hearings and on the results of the discussion prepared its recommendations for the Russian Parliament.

We offer you the speech of Professor A.M. Migranyan, member of the Presidential Council and principal expert at these hearings, and also the opinion on the Crimean problem of K.F. Zatulin, chairman of the Committee for CIS Affairs and Relations With Compatriots. [end box]

Konstantin Zatulin: 'There Are Other Ways of Settling Disputes'

On what is Crimea insisting? On what, in any event, was it insisting before the September crisis in Crimea?

The general line in the relations of the authorities of Crimea and Ukraine is a treaty between Ukraine and Crimea.

I have raised historical documents especially, incidentally. In 1918 there were negotiations between the government of Hetman Skoropadskiy and the then Sulkevich government in Crimea—an anti-Bolshevik government that was oriented toward cooperation with Ukraine and a withdrawal from revolutionary Russia. And the Ukrainian leadership of that time categorically, flat-out rejected all requests and proposals on the part of the Crimean regional government: to have its own government, to have the possibility of federative relations, to have even a representative of Crimea in each embassy of Ukraine overseas.

This was categorically rejected. And shortly after Hetman Skoropadskiy justified his name, so to speak. As did, for that matter, the figures of the Crimean regional government, who were by this time in Tavrida.

Because Tsekov has today fallen out with Meshkov and they (the authorities) have brought the conflict to this level—the problem of Crimea will not, after all, disappear of its own accord because of this. It would be very impetuous to declare, as Vice Premier Shmarov did, that there is no such problem as the Crimean problem in Ukraine. It is far too early to celebrate in this connection. And there is nothing to celebrate because I, in fact, see nothing remarkable for Ukraine here.

I have already said at the conference and I repeat now that what was done with Crimea, even by the standards of 1954 and the Politburo, was very shabby. Should we on this basis ratchet up the situation here, in Russia, not recognizing today's obvious status of Crimea and its entry into Ukraine?

We should, of course, it seems to me, represent the realities. But this by no means signifies that the problem of Crimea is closed, not open for us. After all, we have Russo-Japanese relations, we had Soviet-Japanese relations. And no one

here, from the viewpoint of Japanese ruling circles, considered uncultured the presence of northern problems and certain territorial disagreements with the arrangement of the postwar world.

I believe, of course, that a global solution, and it amounts to integration, is the particular problem of Crimea, which should be the subject of negotiations also. I would like also to call the attention of the representative of the Supreme Council of Ukraine to the fact that I would think very hard before demonstrating in the example of Crimea his ability to rap on the table with whatever—a shoe, which is, as we know, a habit of far from Ukrainian politicians, or some other object. There are, it seems to me, other ways of settling disputes on the threshold of the 21st century.

Andranik Migranyan: 'The Crimea Issue Will Be Resolved at Trilateral Negotiations'

There is, evidently, something rotten in the state of Denmark if, considering Ukraine's enormous debt to Russia (R7 trillion—T.R.) and considering the fact that, however manifestly the wishes of the Ukrainian people and the Ukrainian electorate at the presidential and Supreme Council elections, who unequivocally supported an intensification of relations with Russia, were expressed, we are nonetheless doing nothing in this respect.

I would recall the promises on whose basis the present president and Supreme Council of Ukraine came to power.

Strategic partnership with Russia;

Russian as a second official language;

treaty relations with Crimea;

an allied bloc: a strengthening of ties to the CIS.

Unfortunately, today we are observing a serious recoil in all these areas.

To what is the Ukrainian side reducing the question of strategic partnership? At a conference near Kiev recently Hennady Udovenko, minister of foreign affairs of Ukraine, responded as follows to my question as to how he understood strategic partnership: Strategic partnership is when Russia helps Ukraine the same way as America. Then, somewhat embarrassed, he added: You know, this question, evidently, demands to be discussed at our conference.

I have been simply astonished today by the speeches here of representatives of the Russian Ministry of Foreign Affairs. All points of the treaty have been agreed, apparently. Yes, there should indeed be strategic partnership, they say. But it does not, apparently, include either military or political cooperation. What an absurdity! This is a special relationship? I have never heard of such a thing.

I agree totally with S.M. Rogov (deputy director of the United States and Canada Institute—T.R.) that we simply will not settle the question of the Black Sea Fleet unless we consider this problem in the context of strategic partnership.

Throughout the world at all times the idea of strategic partnership has amounted to far more profound relations

than merely economic. What do we have even within the framework of economic relations? Ukraine's consent to sign on to the creation of an interstate economic committee within the framework of the CIS has not been accompanied by any forward progress. Ukraine has refused to sign an agreement on a payments union.

What do we see today in relation to Crimea? When I was in Kiev recently I made an inquiry in conversation with very high-ranking Ukrainian politicians, President's Kuchma's closest associates, as regards the campaign promises concerning treaty relations with Crimea. With a Crimea that actually secured the president's victory.

The following answer was forthcoming: There is no agent in Crimea. I have to say with great regret, of course, that the Crimean members of parliament and the Crimean authorities have, in fact, done everything to ensure that Kiev answer in this way.

What is the situation concerning Russia today, for this was the principal question of the electorate, in consideration of which it voted for both a new parliament and for the president. Unchanged, unfortunately.

Speaking in Canada recently, L.D. Kuchma deemed it necessary for some reason or other to dwell on the problem of the Ukrainian visit to Russia and did not find it possible either there or when addressing parliament in Kiev to recall the campaign promises that he had given. After all, it was on the basis of the ideas that were supported by the people that the present authorities in Ukraine came into the leadership and occupied all these posts.

It does not, it is true, surprise me that the present Ukrainian authorities are not attempting to formulate or specify all these general propositions either in the treaty with Russia or in their own policy. I am surprised more by the policy and position of our Russian authorities, specifically the Ministry of Foreign Affairs. We are we ourselves not elaborating the idea of strategic partnership and not proposing it to the Ukrainian side?

Why are we ourselves not formulating and not representing all the propositions that ensue from the domestic context of the Ukrainian political struggle? We are, in fact, as before, dragging along in the rear of events. We react to what is happening there very episodically and very clumsily. And we frequently make the situation worse instead of better.

Alas, there are deep-lying reasons for this, unfortunately. I shall cite one, central, reason: There is, in fact, no coordination of Russia's policy in respect to Ukraine. There is no overall state policy. This has been, I believe, the crudest mistake of our power structures, the Foreign Ministry particularly.

What has happened in Crimea? The idea of integration and the Russian ethnic and Russian geographical idea have been discredited, in fact. I believe that this will be a very serious negative factor both for Eastern Ukraine and within the framework of the CIS in general. Our power structures, particularly those that are responsible for foreign policy, are to blame here.

It is not enough to say all the while that Ukraine is a priority, Ukraine is our principal preoccupation, and to "drive" Ukraine here into the Third European Department (he means, merely a division of the Foreign Ministry—T.R.) and to retain a symbolic contingent of people dealing with it.

But here is the unforeseen situation. Parliament and president (in Crimea—T.R.) came to power on the basis of the Russian idea and affiliation to Russia. And, in the words of S.B. Krylov (deputy minister of foreign affairs of the Russian Federation—T.R.), they are simply causing irritation between the two states.

But how is it possible in this situation to adopt an attitude of exclusive indifference to what is happening? After all, it is not they, it is you who are creating not simply irritation and failing to spot the main political problem for the intra-Russian political process and the main problem in relations between Russia and Ukraine. How can this be brushed aside?

And what, in fact, are the Crimean authorities to do in this situation and what should Russia's position be? Exclusive disregard for the Crimean factor could have very serious consequences. Because the authorities discrediting this Russian idea could, in fact, lose control of events. And then the irritating factor would no longer be a decision of the power structures of Crimea but, unfortunately, more serious actions, which we are observing on the territory of the former Soviet Union.

I believe that preemptive actions are needed here, not the brushing aside of irritants. I would not care to dwell on this matter but I fear that within the framework of Ukrainian policy also we could observe what recently happened in Crimea. I do not rule out, alas, the fact that the fate of Kravchuk and, possibly, the Crimean leaders could be lying in store for the present president also.

Not that long since, when we were in Ukraine, I asked Kravchuk whether he resented the fact that we had written of him: He could become an all-Ukraine leader. He said: No one can be an all-Ukraine leader in Ukraine. In the immediate future there will always be a leader of the East and a leader of the West. And it was not fortuitous, obviously, that Kravchuk, the leader of the East in the struggle against Chornovil, became leader of the West. And Kuchma was victorious on the basis of the ideas of the East....

I would like to dwell on one further very important factor. I believe that in the Crimean direction it is absolutely essential to create, under the auspices of parliament, most likely, Russian-Crimean working groups, which could coordinate and somehow make known common events. Because in this case these are not the figurative words that we spoke after the Crimean elections. The question of Crimea will be decided not in Simferopol, not in Moscow, and not in Kiev. The question of Crimea will be decided in all three capitals together. And in accordance with a mutual arrangement.

This is why I believe that there should be trilateral commissions and trilateral contacts at expert level and at

parliamentary group level. I believe that the parliamentary groups could to a large extent express the wishes of the electorate, which were represented clearly enough in Crimea and in Ukraine and in Russia. I believe that such analytical groups should be formed under the auspices of the executive structures also and, possibly, under the auspices of the president.

I believe that the time has come to create also a real coordinating center, which is so necessary in our relations. Because a state delegation cannot handle this. The Interdepartmental Commission of the Security Council is virtually paralyzed, it has not worked. The Interdepartmental Commission under Shokhin's leadership is utterly incapable of handling these issues. A huge number of people, but no one to prepare real documents.

And this is what I would like to say in conclusion. It seems to me that significant shifts are taking place in the international arena today that could prompt us to ensure that Russian-Ukrainian relations truly move to the center of our attention. That we abandon one-sided economic egotism and the idea that Ukraine and other countries are for us a burden and that we can fence ourselves off from them.

To what do I refer? I believe that we are today witnessing some very important steps, which have already been taken and which are still to be taken in the very near future by the United States and the West to enshrine the results of the cold war and the changes in the geopolitical and geostrategic situation in the world.

The American side recently unilaterally lifted the embargo on arms supplies to the Muslims. The displacement of Russia from the Balkans begins in this way. The conclusive displacement. Not to mention other factors—the recent negotiations concerning the possibility of a presence in Varna, Constanta, and so forth. The expansion of NATO is expected in the very near future. I believe that the next component in this chain will be the deeper penetration of the territory of the former Soviet Union with the possible displacement of Russia from these territories.

Ukraine is becoming the main field for the struggle for the possibility of the preservation of the Union and, subsequently, for the strengthening of our relations with this country. Or, on the other hand, this will be the field whence Russia gradually comes to be evicted also.

I believe that we are resolving precisely this problem at this time in Crimea: Can Russia be preserved and lend impetus to our relations in the future within the framework of a more integrating community on the territory of the former USSR or will Russia be isolated for a long time and in earnest not only from Europe but also from its former unified state—the Soviet Union—brethren. It is with this that I would like to conclude.

Economic News Disheartens Crimean Official

954F0464B Simferopol KRYMSKIYE IZVESTIYA
in Russian 30 Nov 94 p 1

[Interview with A. Melnikov by N. Zubkova; place and date not given: "The Studies Brought No Joy"]

[FBIS Translated Text] Last week Aleksey Melnikov, deputy chairman of the Supreme Council of Crimea, was in Kiev for a seminar of the chairmen of city and oblast councils that was held in the Cabinet of Ministers of Ukraine Professional Enhancement Center. The seminar participants were addressed by Supreme Council Chairman A. Moroz and Prime Minister V. Masol.

[Zubkova] Aleksey Alekseyevich, how do the top officials of Ukraine view today's situation?

[Melnikov] We did not want so much to hear about the state of affairs—it is clear enough—as about the ways out of the most severe economic crisis, particularly following the latest price increases. Alas! We were addressed by both ministers and chairmen of standing commissions of the Supreme Council of Ukraine, but it was hard to find anything concrete in their speeches either.

Specifically, Oleksandr Moroz told us that the parliament of Ukraine was a long way from unity: There also are left and right there, which on individual matters prevents them from finding a common language. A misunderstanding with the presidential branch of power could also arise in the very near future, evidently: The deputies, for example, have prepared a draft law on local government, and the Office of the President, on power, which differ from each other considerably. Finding a compromise on this fundamental issue is very difficult....

But O. Moroz emphasized that they would act within the framework of the Constitution, which L. Kuchma, incidentally, described in an interview as patched and repatched, which corresponds to our position also.

[Zubkova] Did you have a private conversation with O. Moroz?

[Melnikov] No, but the chairman of the Supreme Council raised the "Crimea issue" in his speech—he insisted, as always, on fulfillment of the well-known decree of the Supreme Council of Ukraine on the cancellation of a number of our legislative acts.

[Zubkova] Perhaps V. Masol had something heartening to say?

[Melnikov] We simply did not see behind his words a program of a way out of the crisis. It is suspected that the Government of Ukraine simply does not have one. He spoke about many problems, specifically about the closure of a mass of enterprises and tremendous unemployment. But he was corrected from the floor, the workers are not sitting there without work, they are going to Russia to make some money, and the cities are left without tax receipts.

This is how the prime minister sees the way out of the situation: We could be saved by a mild winter, an abundant summer, and a high-yield harvest. And it would be better to direct our whole gaze toward Russia—it would help us with its markets. His speech contained a rebuke of the corps of deputies, which campaigned so fervently for Ukraine's independence, which has brought the country to collapse, practically.

[Zubkova] And what is the attitude of the participants in the seminar to the discussion of Crimean problems?

[Melnikov] I was very gratified by the fact that at the end of the work we were surrounded by many leaders of cities and oblasts who expressed support, saying: Do not retreat from your path of independence in the economy; we also will follow you. This sounded very good....

Reform Proponents, Foes Assessed

954K0383A Kiev MOST in Russian No 45,
10 Nov 94 p 6

[Article by Vyacheslav Pikhovshek, MOST: "On the Enemies and Allies of President Kuchma's Economic Reforms"]

[FBIS Translated Text] And so the moment of reforms came, and as it happens they started with a price hike. Under economic conditions that are difficult anyway, exacerbated by parliament's recent decisions to carry out two major credit emissions, under conditions of fierce populist propaganda by left-wingers of all stripes, at a time when most of the population is becoming impoverished, the president is having a hard time of it. Let us imagine a situation where a man comes home without wages or a pension, he has sick relatives at home, no bread, no heating, no hot water, sporadic electricity. Is he going to put up with it for long? It's pretty hard to convince him that there is finally movement toward solving the crisis that grips Ukraine and that this movement is constructive. At peak moments of history, willful and even autocratic behavior by rulers is justified, but it is also essential to assess the degree of people's despair very precisely, otherwise there is the risk of losing sight of the people for whom the reforms are being carried out.

It is possible and essential to assess those who may be an enemy or an ally on that path.

The Enemies of President Kuchma's Economic Reforms

No matter what certain left-wingers may say about supporting Kuchma's reform plan "80 percent," no one is going to take these words very seriously: economic reform, privatization, the building of a socially oriented capitalist economy—these are organically alien to the "pinks," radically in conflict with their ideas and slogans. Although they have a substantial number of votes in parliament, by themselves they cannot gain a Supreme Council decision favorable to them, nor can they completely block the president's actions. A vivid example: the attempt to repeal the Supreme Council Presidium's decision (last convocation) banning the Communist Party; try as they might, the left just could not achieve their goal without falsifying their votes. The by-elections to the Supreme Council are, in fact, likely to add to their opponents' votes.

The kind of standoff between the president and the parliament which turned into armed conflict in Russia is most likely impossible in a Ukrainian version, because the parliamentary majority cannot declare particular acts by the president unconstitutional: His opponents do not have the forces to gather the necessary two-thirds votes.

Therefore, parliament speaker A. Moroz's statements that he intends to exercise the right of veto on decisions by the executive branch are clearly doomed to remain mere declarations of intent. The president, on the other hand, can react firmly toward the speaker's categorical statements, because he can rely on the persons who head key ministries—from the Foreign Affairs Ministry to the SBU [Security Service of Ukraine] and the Defense Ministry.

A more plausible version of the developing situation, therefore, would be for the communists to wait for a propitious time to organize an orchestrated social explosion. In addition, they can conclude a temporary alliance with the directorate and other major executives of the economy's state sector. The social situation could favor the left, because their propaganda, which was previously oriented exclusively toward proponents of nostalgia for the past, will be more in tune than ever with the people's current mood. Their main arguments, moreover, will focus on inadequate social protection, the "government's anti-people policy," and the "dictatorship of the West."

The agro-industrial complex will act in a completely predictable manner. Deprived of state subsidies and against land privatization, and having powerful administrative levers to influence the countryside, the agrarian lobby in the Supreme Council will fight for literally every inch of the ground they have gained.

An implacable opposition will be mounted against the actions of President Kuchma by the official trade unions, which, under the influence of some of the left, will advance with populist slogans and demand social guarantees that cannot be fulfilled. Of all President Kuchma's opponents, incidentally, these are the least dangerous; because of their chronic inability to organize strikes they do not pose a serious threat to the president.

The Allies of President L. Kuchma's Economic Reforms

The president's allies in parliament also lack the necessary votes to compel the Supreme Council to support Kuchma's initiatives, but they do have enough forces to block any of the left's decisions directed against market reforms, and that is a lot.

On the president's side are most of the political parties, which, incidentally, do not have crucial influence on society. He also has a majority of chairmen of the councils on various levels, the army, and the other power structures, also the mood of large numbers of people. Kuchma is also supported by the majority of representatives of the press, with the rare exception of the extreme left- and right-wing party publications. Objectively, as well, the president has the support of the free trade unions, which can provide substantial support for his reforms.

But, because of their relatively small numbers in the overall workers' movement, the democratic trade unions can exert influence only on certain sectors of Ukraine's industry. These sectors, however, and the social calm of those who work in them, are very important for the overall success of Kuchma's economic reforms.

What Next?

Strictly speaking, things are going quite well for the president, and the tactical deployment of forces right now favors the realization of his plans. Moreover, his political opponents in the camp of P. Simonenko or A. Moroz are much inferior to the first bolsheviks and Leninists in persuasiveness; they are making many mistakes, from the English suits and South Korean ties they wear to the corruption in the midst of their closest fellow-thinkers.

However, the polar opposition between the president and the communists does not exhaust the tension of the situation. On both sides there are temptations to make so-called "simple" decisions in which reliance is placed more on force than on the law. But only a combination of force and the law—with primacy accorded to the latter—will make it possible to achieve success in implementing Kuchma's reform policy. Moreover, the fact that the president's economic program is being increasingly propagandized on television and in the media shows that Kuchma and his advisers have fully realized the necessity of public support.

The support given to Kuchma by the free trade unions could prove invaluable for him—it is a force that enjoys authority among the working people and has not besmirched itself by servility to the powers that be. But in order to give that support, democratically organized trade unions have to be certain that the reforms are being carried out not just for the sake of reforms but in the interests of the majority of Ukraine's working people. And the top state authorities must have the time and resources to convince the broad segments of the workers' movement in Ukraine of this.

Policy Towards Tatars Seen Flawed

954K0380A Lvov POST-POSTUP in Ukrainian No 39,
3-9 Nov 94 p A5

[Article by Maryana Chorna: "The Crimean Tatars: Object or Subject of Ukrainian Policy?"]

[FBIS Translated Text] Simferopol-Lviv—*Such is now the custom in Ukraine that from time to time "Crimea is in the process of separating," and each time all Ukrainian politicians rush "to settle the question." It is at these critical moments that we hear mention over the microphones in parliament and at meetings of various parties that there are also Tatars living in Crimea. Their views are cited, promises are made to meet their demands, but later, when things settle down again, everything returns to normal, and the Crimean Tatar population is again forgotten. Until the next crisis. Meanwhile, this population stays where it was and lives in conditions that are as close to war conditions as can be, while, for the most part, its problems remain an opportunistic instrument for Ukrainian politicians. Meanwhile, the habit of viewing the indigenous Crimean population as an "object of Ukrainian policy" while forgetting that it is in fact a "subject" is now becoming universal and constant. As with any bad habit, this can end badly. For everybody involved.*

Contrary to conventional belief, the problem of the Tatars as such did not suddenly emerge at the time of their deportation in the 1940's. The history of the genocide of

this people by Russia has lasted more than 200 years. Proclaimed under the illustrious Prince Potemkin to be harmful foreigners, the Tatars began fleeing from the fraternal love of Moscow in the 18th century. They fled in the hundreds of thousands, perished, starved, dispersed to faraway lands. A written record of all their sufferings would undoubtedly produce the blackest of the world's black books. The population of Crimea was methodically eradicated from the face of this territory. Its original population that is, because, once again, contrary to popular belief, the only Tatar aspect to this population is its name. The roots of this people are so deep that searching for them is a job for archaeologists. Today, after the deportations, only a little over 300,000 of them remain. One and a half million were deported from Crimea.

After a short revival of statehood in 1917-1919, which ended in defeat, the Tatars, proclaimed collectively to be enemies of the people, ended up in Uzbekistan. There, in exile, at the end of the eighties, they held their popular assembly, the Kurultay, and created an authorized organ of this assembly, the Mejiles, which set itself the task of returning its people to the land of their fathers. They immediately used the traditional Soviet method to deal with the Mejiles: They created "alternative" Tatar organizations—Communist, semi-Communist, and "all-Union" (in particular, the National Movement of Crimean Tatars [NRKT]). When the first deportees returned to Crimea, this "pluralism" made it possible to avoid fulfilling the demands of the Mejiles by citing the views of the NRKT.

Despite talk at the official level of the return of the Crimean Tatars, two-thirds of them still remain outside Crimea. The funds allocated for repatriation are meager, and what there is, disappears in the labyrinths of the bureaucracy. The most acute problem is housing. There are no apartments and, worse still, no plots on which to build. The majority of Tatars are peasants, masters at growing vegetables and grapes and at breeding sheep. But there is no land for them; it has long since been distributed to "insiders," especially near cities. Hence, unauthorized construction, conflicts at these sites, and acts of vandalism. A better basis for further fanning an already rampant anti-Tatar xenophobia could not have been devised by the Crimean nomenklatura. This phenomenon has now reached the level of a formal mass psychosis. The belief of the "Crimean people" that "these Muslim fanatics will slaughter everyone" has now become a symbol of faith. To be sure, for the most part, thus far it is the Tatars who are being slaughtered rather than the other way around. But this is of little importance. In any event, the "ethnic-religious" problems serve to camouflage a much more earthly concern—thousands of Tatar houses and land plots were generously distributed to settlers from Russia and Ukraine. They came to view the property of others as their own and believed that it would be so forever. Now these settlers are afraid: What if this property is suddenly taken away from them... Then there is the marketplace, where the conflict is transformed into an ecumenical phenomenon. The quiet, self-contained Muslims with their "family contract," their hothouses, inexpensive vegetables, and inborn market skills are seen as a terrible rival by the "monopoly babushka," who is accustomed to

charging exorbitant prices for her far from first-rate goods. And who likes competitors? As a result, the "Crimean people" are unanimous in their attitude to the Tatars. They hate them because they exist. Judging by polls, "ethnic Ukrainians" do not differ in this respect from "ethnic Russians." But then, generally speaking, is there anything that distinguishes one ethnic "Soviet man" from another?

The situation has also been exacerbated by the social deformation of the Tatar population. The percentage of intelligentsia members among the repatriates is quite low. They are the ones who find it most difficult to leave—they lack the necessary funds. The cost of containers in Uzbekistan is extremely high. On the other hand, the prices of apartments—the only thing that can be sold—have fallen to a rather low level, because the Uzbeks prefer single-family houses. There are no jobs for those arriving in Crimea. With unemployment widespread, the Tatars—physicians, scientists, teachers, museum workers, etc.—have the least chance of finding work. Thus in his homeland the professor works as a watchman. And this circumstance stands in the way of finding common ground with that stratum of well-educated Slavs who might perhaps even recover from their anti-Tatar psychosis if they came into contact with the Tatar elite. But there is no opportunity for them to do so, or only very rarely. While the Gordian knot of these problems was being drawn tighter, they held "days of culture" in Kiev in the spirit of the best traditions of the period of stagnation and expressed their support for the Tatars in words. The result was exactly what could have been expected: The Crimean socum, which is a distillate of Sovietism, grew to hate the "khokhols" [derogatory term for Ukrainians] even more, while life did not get any easier for the Tatars. In addition, a group of native "democrats" decided to correct history and proclaimed Crimea to be "Ukrainian from time immemorial." This did little to improve the Tatars' sense of well-being, because they had already experienced what it meant to have Crimea be "Russian from time immemorial." And so they began, quite justifiably, to wonder whether Ukraine, once it settled its problems with Russia and with its help, might not become a "brother" with the same habits as those of the "oldest brother."

The results were not long in coming. The Mejiles, guided by the principle that "it is up to those who are drowning to save themselves" and getting nothing from Kiev save syrupy talk, began to act on its own. They refused, obviously, to recognize Meshkov, and the Kurultay faction became a mute opposition to the president. On the other hand, as the "parliament-president" conflict grew, the Tatars inclined towards Tsekov and ultimately agreed to a compromise. In return for their vote, they were awarded three portfolios in Franchuk's government, although this gave them no real power, because the Tatars were allowed nowhere near the ministries that would divide and redivide their native land, Crimea. However, three Kurultay representatives gave Franchuk's defense-nomenklatura clique a thoroughly democratic image. The government of Franchuk will behave as expected: It will steal what it can and discredit everything that can be discredited. And in the end it will convince the population that the Tatars are to blame for everything.

Thus far, the majority of Tatars have united around the Mejiles. At least, not a single NRKT candidate won in the election. However, the inevitable failure of the policy of Crimea's nomenklatura rulers can undermine the authority of the Mejiles among the Tatars themselves and strengthen support for both the radical right and the NRKT, which opposes the Mejiles. Both eventualities are dangerous. In yielding to the temptation to take advantage of a very modest opportunity to help their repatriates, the Mejiles staked a great deal and can lose. Because the difference between Meshkov and Franchuk is about as great as between a left and right boot.

It is doubtful that relations between the Crimean-Tatar movement and a large portion of the Ukrainian political organism will improve. Despite the fact that from the very beginning and including in the debate surrounding the issue of bringing the Crimean constitution into conformity with the constitution of Ukraine, the Mejiles has maintained a firmly pro-Ukrainian position at the official level and unofficially would prefer Crimea to be an ordinary oblast of Ukraine.

Meanwhile, the solution to the Crimean-Tatar question does not lie in three or even five portfolios in Crimea's puppet government. The way to settle the matter is to take a firm stand on the restitution of or at least compensation for confiscated property—above all, land and buildings. And not only to the Tatars, but to all citizens of Ukraine and their legal heirs, who were robbed in the course of collectivizations, deportations, nationalizations, and other measures. Every company should be compelled to hire members of a nation or ethnic group in quotas reflecting the percentage of a nation or ethnic group in a given region, as is the case in the U.S. for businessmen who fail to abide as fully as they should by the spirit of the American constitution. If you do not want to give appropriate jobs to minorities you do not like, then you pay large amounts of money into the budget to create jobs for these same minorities. When conducting privatization, it is necessary to include not only registered members of the deported Tatar and non-Tatar community, but all deportees who wish to officially declare their Ukrainian citizenship. And, finally, it is necessary to develop some sort of comprehensive conception of a civilized policy with respect to nationally compact groups, of which there are many in Ukraine. Not in the form of declarations of well-meaning intentions, but in the form of a well thought-out and justified policy. In short, there is only one option—building a rule-of-law state, in which individual rights, above all individual economic rights, are inviolable. Whereas this problem cannot be solved in a state whose citizens are the victims of the whims of every new government or material for the games of incompetent individuals who have decided to become politicians for lack of another profession... Given the 200 years of suffering, the aggregate of accumulated pain, and the traditional hatred of all by all that is the legacy of the Soviet mentality, the Tatar problem could become a delayed-action mine. The blood that flowed in 1992 in Chervonny Luch could flow much more abundantly. And then the surprised fathers of the people will ask: "How did

this happen"? This finale is unavoidable if a people continue to be the object rather than the subject of the law in their homeland.

Unity Faction Principles Detailed

954K0405A Kiev HOLOS UKRAYINY in Ukrainian
16 Nov 94 p 3

[Interview with Viktor Merkushov, coordinator of the Unity Group, by Svitlana Pysarenko under the rubric "In the Factions and Groups": "'Unity' in What?"]

[FBIS Translated Text] The Unity Group. What was it that attracted deputies to this group, and on what principles was it founded? In other words, unity in what? That is the question with which we began our conversation with Viktor Merkushov, the coordinator of the group.

"It became clear from the very beginning," said Viktor Tymofiyovych, "that blocs would form in the Supreme Council. A powerful left bloc made up of members of the Communist Party and the Socialist Party and a rightist, national-democratic bloc. However, during the preelection marathon, many deputies had stressed that it was necessary to put aside political differences at least for a while and to concentrate exclusively on the body of economic problems in order to solve them by passing sound laws. It, therefore, made sense to organize into a bloc that would make this task its primary objective. The majority of economists elected as deputies to the previous convocation of the Supreme Council are united in the Reforms Group. These deputies also share certain political ideals. But those who are freshmen in parliament did not know these power corridors and the people representing them, and they joined together to form our group, where it is easier to promote an idea by seeking one another out and finding common positions."

Unquestionably, matters relating to the structure of parliament and, above all, its leadership were also decided through groups and factions. It was, therefore, practical to unite into groups to obtain the appropriate quotas for one's own representatives in the leadership, and especially in the commissions.

There was, of course, an element of spontaneity in the formation of groups. The deputies from Kharkiv, Dnipropetrovsk, and at the beginning Donetsk (they later left for the MDG [Interregional Deputy Group]) oblasts, as well as a portion of the deputies from Zaporizhzhya Oblast and Crimea, joined together in the Unity Group. What principles does this group espouse? Above all, market transformations, accelerated reforms, an understanding that there can be no halfway solutions, that there is no going back to the past. "All of us understand," says Viktor Merkushov, "that you cannot hang on to the old and wish for the new—this will not work today." He is convinced that we are in a situation in which the old building has been razed, but a new one has not been built. The main thing, according to Unity, is to build it quickly.

Who makes up this group? It cannot be said that the corps of directors have an advantage, for example. There are also representatives of the sciences, the military, commercial

structures, a few enterprise managers and representatives of government—in other words, this is a diverse group of people. Viktor Tymofiyovych disclosed a "secret": The group would like to include at least a few more serious economists. And he claimed that very soon the group would have them. The Unity Group consists of 34 deputies.

Tell me who your friends are, and I will tell you who you are.

One such "litmus test" is the stand on privatization. Unity is in favor of privatization. Moreover, Viktor Merkushov is deeply convinced—and we spoke on the day that the parliament was to approve the list of state enterprises not subject to privatization—that if this list is not approved (it was not approved), privatization will benefit the select few and not all the citizens of Ukraine. There are differences within the group regarding how exactly privatization should be conducted. Some insist that corporate structures should be formed and divided into shares, while others propose leasing with buy-out. Viktor Merkushov asks: "What is the purpose of privatization—to portion out ownership to everybody?" His answer is no. The purpose is to provide a greater incentive to work and to make this work more effective. Whereas today's mechanism of privatization is such that it is easier for an enterprise that performs poorly and earns no profits to privatize, because the price set for its buy-out is lower than that for an enterprise that performs well. Viktor Merkushov is convinced that the collective form of ownership is ineffective, because there are always conflicting interests between employees and owners. It is to the employee's advantage to earn a large salary from the start, while the owner's main concern will be to build up his enterprise in the belief that this will ultimately enable him to earn more.

"I believe," says Viktor Tymofiyovych, "that privatization, especially of enterprises in the services sector, should be conducted through auctions, through a competitive selection of programs."

When asked about social equality and the creation of equal opportunities, he responded that it is necessary to put in place an economic mechanism that would ensure the same terms for a person with a bag of money regardless of the way it was earned and for a person who has worked honestly. And the way to do this is to offer a wide range of preferential terms for the latter, of course.

Significantly, the Unity Group fully supported the basic principles of the economic and social policy outlined in President L. Kuchma's statement. In its appeal to party factions, movements, groups, and all the Supreme Council deputies, the Unity Group urged that they put aside political passions, stop blaming one another, and start working on a package of legislative acts that will serve as a legal basis for implementing economic reforms and providing social safeguards for the low-income strata of the population.

As we know, a question that inflamed political passions was whether or not to rescind the decrees of the Presidium of the Supreme Council with respect to the Communist Party. Viktor Tymofiyovych related that at first the group's members agreed not to take part in the vote, but it was later

decided that this could have negative consequences. Thus, each member voted as he chose. Most Unity members voted in favor of rescinding the decrees. Blessed are those who believe?

ECONOMIC AFFAIRS

Lviv Oblast Economic State Described

954K0384A Lvov ZA VILNU UKRAYINU in Ukrainian
4 Nov 94 p 3

[Report of the Lviv Oblast Statistical Administration: "There Is Only One Solution—Reforms. The Social and Economic Situation in Lviv Oblast in the First Nine Months of 1994"]

[FBIS Translated Text] Social production plunged significantly in the first nine months of the current year as compared with earlier periods. The rate of production decline in industry increased 2.7-fold as against the corresponding period last year. Investment activity continued to drop. As unemployment grows, labor productivity is decreasing. Though inflation has slowed somewhat, it has not been halted, and crime is on the rise.

The Situation in the Industrial Complex

Despite the fact that beginning in June the decline in industrial production in the oblast slowed somewhat, industrial output for the reported nine-month period as a whole fell 36.1 percent as against a drop of 13.2 percent during the same period last year and a decrease of 17.1 percent for the whole of 1993.

Production volumes have fallen at 401 enterprises, which account for 83.2 percent of all the oblast's enterprises. Output has dropped in all the oblast's rayons and cities, as well as in the principal branches of the economy. Labor productivity has plunged 30.6 percent (24.2 percent in Ukraine as a whole). Output per worker has fallen at 377 enterprises, or 80.7 percent of their total number.

The main cause of this unsatisfactory state in industrial production is the payments crisis, which makes it difficult for enterprises to obtain the necessary raw and material and technical resources on the one hand, and to sell their products on the other.

The greatest drop in production—49.9 percent—has occurred in the leading branch of industry: machinebuilding and metalworking. Reduced demand due to high prices has resulted in a decrease in the production of metal-cutting lathes, forging and pressing equipment, and medical equipment to less than half the previous level, a threefold to fourfold drop in the output of industrial pipeline fittings, buses, and automatic loaders, and more than a fivefold decrease in the output of agricultural machinery and machinery used in animal husbandry and feed production. Output in the timber, wood-working, and pulp and paper industry fell 40.6 percent and in the glass, pottery, and porcelain industry, by 28.4 percent.

Improved performance in the third quarter resulted in a decrease in the rate of production decline over the first nine months as a whole as compared with the first six months of

this year in the fuel, chemical, and petrochemical, and building materials industries.

The Social Sector Is Reducing Production

On 24 October of this year, the gross grain yield in the oblast's agrarian structures totaled 834,800 metric tons, that is, 65,700 metric tons less (7.3 percent) than in 1993. Each hectare of harvested land yielded 32.9 quintals of grain, or 6.8 percent less than last year.

A total of 40,100 metric tons of potatoes have been harvested, that is, 56,200 metric tons, or 58.3 percent, less than were harvested last year [as published]. Yield per hectare of this crop was 78 quintals, which was 33 quintals less than in 1993. In addition to a lower yield, the reason for this sharp drop in the gross harvest of potatoes was a 41-percent reduction in the area sown with this crop.

Only the sugar beet harvest was larger this year than last year—1,092,300 metric tons as against 956,800 metric tons. Sugar beet yield rose from 260.7 to 290.7 quintals.

Owing to low animal productivity and reduced capita of cattle and poultry, the output of livestock products is falling in the social sector of agriculture. Compared with the first nine months of last year, 20 percent less meat was produced (this year's output amounted to 61,5000 metric tons), 11 percent less milk (249,800 metric tons), and 35 percent fewer eggs of all types (84.6 million eggs). Average milk yield per cow dropped by 87 kilograms (5 percent) and amounted to 1,736 kilograms. On 1 October 1994, there were 474,500 head of neat cattle, or 15 percent less than on the same date last year.

Peasants Are Selling Smaller Amounts of Livestock Products to the State

Agricultural producers in all categories sold the state 57,900 metric tons of livestock and poultry in liveweight, or 73 percent of the amount delivered last year, 216,900 metric tons of milk and milk products (70 percent of last year's amount), and 73.2 million eggs (67 percent of last year's amount). By 17 October of this year, 171,000 metric tons of grain, or 104.4 percent of the amount on the same date last year, 11,500 metric tons of potatoes (69 percent), and (as of 24 October) 805,500 metric tons of sugar beets (98.8 percent) were sold to meet state contracts and orders.

Less Fuel Is Being Delivered, But We Are Making Provisions for the Next Harvest

Despite the fact that collective and state farms received 8 percent less diesel fuel and 25 percent less gasoline, the amount of fuel remaining on 1 October as against the same date last year is greater: 44 percent more diesel fuel and twice as much gasoline. Moreover, the agricultural work was completed on time. By 24 October 1994, 206,400 hectares had been sown with winter crops for seed and green chop (98.9 percent of the projected area). Fall plowing of winter fallow has been completed on 101,600 hectares (41.7 percent of the projected area).

The Crisis in Construction Is Deepening

Capital investments in the oblast's economy amounted to 3.6 trillion karbovantsi, which is 6 percent less than during

the same period last year. Investments in the construction of enterprises in the state sector of the economy account for nearly 80 percent of the total amount. The share of investments in production facilities amounts to 56 percent. Plans called for putting 29 production capacities in operation this year at facilities included in Ukraine's 1994 state contract. Not a single capacity has been put in operation since the beginning of the year.

Housing totaling 174,000 square meters of living space was put into operation. Compared with the corresponding period last year, the volume of housing being put into operation has decreased 44 percent.

General-education schools to accommodate a total of 2,358 students (58 percent fewer than in January-September 1993) and preschool institutions to accommodate 570 children (2.1 times as many as during the same period last year) were put into operation.

Building organizations using their own resources executed contracts valued at 2.9 trillion karbovantsi. This represents a 32-percent decrease as compared with the same period last year.

Rail, Motor, Airplane, and Pipeline Transport

The economic crisis has led customers to stop using transportation services. The main territorial enterprise of the Lviv Railroad (Lviv Oblast) dispatched 11.3 million metric tons of freight, or 19.6 percent less than in the first nine months of 1993. Public motor transport carried 5.9 million metric tons of freight, or 42.8 percent less than last year; however, passenger traffic amounted to 208.5 million, or 30.5 percent more than last year. Fewer passengers (26.7 percent) and freight (56.2 percent) were conveyed by air transport. Pipelines carried 14.2 million metric tons of oil, including 13.4 million metric tons of oil passing in transit to West European countries. These figures represent increases of 3.6 and 7.2 percent, respectively, over the corresponding period last year.

The Foreign Trade Balance Is Positive

Foreign trade turnover in the oblast's enterprises and organizations (not counting the centralized import of oil and gas) amounted to \$311 million in January-September of this year, of which exports accounted for \$163 million and imports for \$148 million, thereby creating a positive balance of \$15 million. Foreign trade transactions were conducted with partners in 62 countries.

Enterprise Profits Are Growing, But So Are Debts

Preliminary estimates indicate that the oblast's economic organizations earned more than 10 trillion karbovantsi in profits in the first nine months of this year. Of this amount, 5 trillion were earned in industry. In recent months, the rate of growth of profits has dropped. The decline in industrial output has caused the profitability of industrial enterprises to fall. This year the oblast has more loss-making enterprises. Hardest hit have been the enterprises in the former military-industrial complex. Overall, more than 300 enterprises, or every eighth enterprise (not

counting the sphere of small business), are working at a loss. They have reduced the oblast's financial results by nearly one trillion karbovantsi.

The amount of credit extended by the banking system to the oblast's economy has increased. As of the beginning of October, outstanding credit amounted to nearly 3 trillion karbovantsi, most of which was in the form of short-term loans.

Payment discipline among enterprises is not improving. On 1 October, the oblast's economic entities owed 23 trillion karbovantsi for work that had been done and services that had been rendered, and this indebtedness is nearly 1.8-fold higher than their total debt obligation. In settlements with the countries of the former Soviet Union, our enterprises' credit obligation is almost five times higher than their debt obligation.

Oblast Budget Revenues Exceed Expenditures

According to data provided by the oblast financial administration, oblast budget revenues amounted to nearly 5.8 trillion karbovantsi and were derived primarily from taxes on the income of enterprises and organizations and from value-added tax (43.4 and 16.1 percent, respectively). Budget expenditures totaled nearly 5 trillion karbovantsi, with outlays for social and cultural measures accounting for half the total amount spent and social safeguards for nearly one-fifth.

Incomes and Prices

Compared with January-September of last year, the total amount of nominal personal monetary income in the oblast increased 16.1-fold and amounted to 12.2 trillion karbovantsi. Wages and other income from enterprises and organizations accounted for 62.9 percent of the total sum of personal monetary income as compared with 61 percent in January-September 1993. The reason for this is that the growth of funds channeled into consumption at enterprises in the state sector of the economy outstripped other sources of monetary income. In January-September, average monthly per capita income in this sector (except in the case of employees of cooperatives and small enterprises, limited liability companies with all forms of ownership, small state enterprises engaged in trade, public catering, and consumer services) amounted to 897,000 karbovantsi, and the average monthly wage was 806,000 karbovantsi. These amounts were 16.3 and 16.5 times greater, respectively, than during the same period last year.

During the same period, the cost of consumer goods and paid services increased 20-fold. The average cost of a selection of 22 of the most essential food products rose in the state and cooperative trade networks from 410,500 karbovantsi in January to 658,200 karbovantsi on 27 September and exceeded the average cost of this selection for Ukraine as a whole by 6.3 percent.

Personal Spending on Goods and Services

The total amount of money spent by the oblast's population during this period, as recorded by the financial system, increased 16.9-fold and was smaller than the total amount of monetary income by 698 billion karbovantsi. Spending

for goods and services accounted for 84.1 percent of the total amount of personal expenditures as against 87.8 percent in 1993.

Retail trade turnover amounted to 8.2 trillion karbovantsi in the reported nine months. Despite the fact that this was more than a 14-fold increase over the same period last year, in physical terms this represented a drop of 19 percent, of which nearly 40 percent occurred in consumer cooperatives. Trade turnover from sales of nonfood consumer items fell 50 percent and of food products, 13 percent. However, sales of many essential food products (oil, margarine, meat, bread, sugar, sausages, eggs, etc.) decreased twofold to threefold or more.

Revenues from paid services amounted to 1.9 trillion karbovantsi. In comparable prices, this represents a drop of 7 percent as against the same period last year, including a decrease of 54 percent in consumer services.

The Decline of the Industry of Prosperity

There has been no improvement in the production of consumer goods. The amount of consumer goods produced in the first nine months of this year was valued at 9.9 trillion karbovantsi (in wholesale factory prices), or 43.4 percent less than during the same period last year. Consumer goods production in Ukraine as a whole fell 33.1 percent.

Production of goods in all groups has fallen, but the largest drop occurred in light industry, where it amounted to 60.2 percent (59.8 percent in Ukraine as a whole). Forty-seven enterprises, or 81 percent of all enterprises that manufacture consumer goods, have reduced production. The sharp decline in the output of children's products is continuing. Compared with the same period in 1993, output of hosiery and socks decreased 2.7-fold; knitted goods, 3.7-fold; sown products, 4.4-fold; and footwear, twofold. No children's coats, jackets, dresses, or pants were manufactured in September at all. The production of cultural and household goods fell 49.7 percent. The output of television sets decreased 2.9-fold; mopeds, fourfold; furniture, 1.9-fold; and perfumery products, 2.5-fold.

The smallest decrease compared with other groups has occurred in the production of food products, which has fallen only 26.6 percent (20.6 percent in Ukraine as a whole). Output of almost all food products has dropped, with the exception of groats, canned meats, and baker's yeast.

Privatization [word illegible]

The privatization process has picked up significantly since the beginning of this year. Compared with the entire period up to 1 January 1994, during which 322 objects of state and communal property were privatized in the oblast, 162 objects were privatized in the first quarter of this year, 326 in the second quarter, and 160 in the third quarter. Of the 648 objects privatized this year, 79 passed into full private ownership, 566 became collectively owned, and three have mixed forms of ownership.

This year, 32,800 apartments were privatized (10.3 percent of the total number of apartments in the state housing

fund); 30,900 were privatized without payment and 19,700 with compensation in the form of housing checks for insufficient floor space. In the case of 1,900 apartments, privatization involved additional payments, which totaled 186 million karbovantsi.

The Demographic Situation Is Growing Worse

In the first nine months of 1994, the birth rate in the oblast fell 7 percent as against the corresponding period last year, while the death rate rose by nearly 4 percent, comprising 11.9 and 11.6 per 1,000, respectively. As a result, the natural population increase dropped 80 percent and measures 0.3 per 1,000 inhabitants. The marriage rate fell 8 percent, and the divorce rate rose 4 percent. For every 100 marriages, there are an average of 37 divorces.

Hidden Unemployment Is Ten Times Higher Than the Official Figure

According to data provided by the oblast employment center, at the end of September 1994, the number of registered jobless citizens reached 12,200, of whom 10,700 had unemployed status. Benefits were paid to 51.4 percent of those unemployed. This assistance amounted to 7.7 billion karbovantsi and was paid from the fund to promote employment.

The oblast's enterprises and organizations have 3,500 job openings. The practice of maintaining workers in a regime of partial employment (hidden unemployment) continues. Estimates indicate that during these nine months, 103,600 persons did not work every day as a result of work stoppages and on the initiative of management [as published].

Every Second Criminal Does Not Work and Does Not Study

In the period from January to September 1994, the oblast's internal affairs organs recorded 16,700 crimes, or 10 percent more than during the same period last year. Thirty-nine percent of all crimes fall into the serious category. Thefts, burglaries, robberies, holdups, and fraud account for nearly two-thirds of all crimes. The number of thefts of state or collective property has risen 15.2 percent and amounted to 4,700 cases. The number of thefts through misappropriation, squandering, or abuse of office on a large and especially large scale has increased 30 percent.

Recorded cases of the theft of private property numbered 6,800, of which 1,800 (32 percent) were apartment burglaries. Illegal transactions involving hard currency assets increased sixfold.

A total of 7,300 persons who committed crimes were caught, and 84 percent of these were prosecuted on criminal charges (in the first nine months of 1993—6,300 and 85 percent, respectively).

Of the total number of persons involved in criminal acts, nearly every seventh was drunk at the time of committing the crime, every sixth had committed crimes before, every second neither works nor attends an educational institution, and every seventh is a minor.

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Miners Dissatisfied With Kiev Talks

954F0462A Donetsk DONBASS in Russian
30 Nov 94 p 1

[Unattributed report: "Miners Sit Without Wages, While Managers Buy Personal Planes and Cutters"]

[FBIS Translated Text] A commission of striking Krivbass miners arrived in Kiev to conduct negotiations with the government. After a meeting with the Minister of Industry Anatolii Golubchenko, a directive was issued to increase the consumption fund "with the purpose of ensuring priorities in remuneration of persons working underground."

The miners were not happy over it.

"We do not need somebody else's money," Valeriy Pavlov, chairman of the NPG [Independent Trade Union of Miners] commission told a VEDOMOSTI correspondent. "What we want is to have access to the distribution of profits together with the administration. At many mines, administrations use common money for personal enrichment. A trade union commission uncovered gross financial violations at Gvardeyskaya, Oktyabrskaya, and many other mines. Managers buy themselves sports aircraft, cars, motorized gliders, cutters, aircraft engines, and other luxury items, while miners are not even paid their due wages."

Inflation, Goods, Energy Statistics Released

954F0462B Donetsk DONBASS in Russian
30 Nov 94 p 1

[Report by Stanislav Tishchenko: "Briefly: With and Without Figures"]

[FBIS Translated Text] The Ukrainian Ministry of Statistics estimated that the inflation index in October 1994 measured 122.6 percent as compared to September. Chief national banker Viktor Yushchenko said that in January of next year Ukraine will have a 25-percent inflation if the presidential reform plan is implemented. From there on, a relative stabilization is expected, which possibly will create preconditions for introducing the hryvnya.

Consumer goods production continues to decline. As compared to last year, their output over 10 months declined by 30.4 percent, including output of foodstuffs—by 24.6 percent. Of 570 enterprises producing consumer goods, considerable deterioration in operations was registered at 414, including 64 enterprises in Donetsk. The oblast statistical administration registered an increase in the production of porcelain and stoneware china (131.0 percent as compared to 10 months of 1993), home refrigerators (114.5 percent), and synthetic detergents (109.8 percent).

Fuel reserves in electric power generation and those of coking coal in metallurgy keep shrinking. Enterprises already dip into state reserves for more than half of their coal (65 percent). Metallurgists have enough coking coal reserves to sustain one to three days of operation, while

power generating enterprises take the coal straight as it comes by rail. The Uglegorsk, Zuyevo, Starobeshevsk, and Kurakhovo regional power stations operate solely on state reserves.

Official on Prospects for Privatization Success

954F0462C Donetsk DONBASS in Russian
30 Nov 94 p 1

[Interview with Aleksandr Ryabchenko, deputy chairman of Ukrainian Supreme Council's commission on finances and banking, by UKRINFORM correspondent Sergey Kravchenko under the rubric "A Topical Interview"; place and date not given: "Aleksandr Ryabchenko: 'Voucher Privatization Needs a Green Light'"]

[FBIS Translated Text] Despite its slow speed and frequent stops, privatization gradually approaches for everyone. The parliament debates it; the government argues about it; politicians, scholars, and economists-practitioners share their opinions. In the process, some adamantly maintain that without it economic reforms in the country simply are impossible, while others take a firm stand that we will get out of the dead end of the crisis without it. An UKRINFORM correspondent asked an authoritative specialist—Aleksandr Ryabchenko, a former banker and currently deputy chairman of Ukrainian Supreme Council's commission on finances and banking—to share his views on this burning problem of modern life.

[Ryabchenko] The planks of the president of Ukraine's report and message to the Supreme Council have become a litmus test of sorts for every phenomenon. Leonid Kuchma clearly indicated what he will do if he is given proper powers. As is known, the question of principal importance for the state leadership is that of a single vertical line of authority, beginning at its top echelons. The time has come indeed for such a vertical line today, when disagreements within the very ideology of reforms have become more prominent.

[Kravchenko] What is your forecast of the situation if privatization processes in the country get blocked for the second time, if we continue running in place?

[Ryabchenko] Because of this running in place, we still cannot establish normal relations with leading financial institutions on the international level. At stake are much-needed loans, credits, and outside financial aid for Ukraine. Many developed countries say unequivocally: If privatization in Ukraine does come to a halt, we are guaranteed to have international problems. Meanwhile, the state essentially lacks a clear economic policy. Especially in the sphere of privatization. It was stopped in its tracks. Now we stand there and wait. And the longer we stand there waiting, the worse will become the state of our industry and economy. This pause is not going to change anything for the better.

[Kravchenko] I would be curious to hear your opinion of the "off-limit" list of more than 5,000 objects excluded from privatization. What will be its fate?

[Ryabchenko] I think this list was a political compromise between those who hamper privatization processes and

those who try to speed them up. Some parliament members are concerned that so far our privatization has been "of a wrong kind." But such concerns cannot serve as justification for suspending it. We have to get started. I am convinced that very soon many enterprises that ended up in the not-subject-to-privatization list will be dropped from it. And they themselves will ask for it after seeing positive results of others' privatization. For instance, the Ministry of Energy already objects to the ban on denationalization of a considerable share of its enterprises. I think in a year the number of entities on this list will drop to 500, that is, tenfold. And this will be a normal number.

[Kravchenko] What needs to be done to stabilize the economic situation in the country right now?

[Ryabchenko] Each country should have a sound financial system to fight inflation. At this point we do not have it. But there is world experience in this respect. Let the Supreme Council approve the size of annual emission by quarterly breakdown and not demand of the National Bank to issue credits to finance programs in agriculture and industry. And the Ministry of Finance should put the budget together in such a way that its deficit does not exceed 10 percent and finance budget expenditures without National Bank's credit emission. So a lot boils down to shortcomings in our state financial activities. The Ministry of Finance executes the deficit-ridden budget and does not even attempt to cover at least part of this deficit by issuing securities—as it is done in other countries, and as the economic science tells us. And everybody is convinced that the state has some sort of a big sack of gold from which one can draw ad infinitum. But every time we dip into state reserves we increase inflation we are all sick and tired of. We have to put away this big sack, forget about it—at least for a while—and work.

[Kravchenko] In the past we did not know what we were building and where we were going. What has changed now? How consistent is the president's report in defending the models of development of a "free-market" society?

[Ryabchenko] It is indeed a pro-market report. It clearly is aimed at building a market economy. If the Supreme Council approves this document instead of just taking it under consideration, this will enable the president and all others to take consistent steps along the road of market transformations. Not chaotic; not jumping from one extreme to another as we did before, adopting this law and that law, which created a legal environment in the country where it was possible to do one thing on the basis of some document and a completely opposite thing on the basis of another document. In the environment where the old constitution is still in effect, such a situation led to true chaos. One always had this way out by saying: The new decision is in conflict with the constitution—and refuse to implement it. If the report is adopted by the Supreme Council, it will make it possible to structure on its basis the work of both legislative and executive branches in a new way, from the standpoint of requirements of tomorrow.

[Kravchenko] We have long gotten used to the talk that the state is incapable of supporting and managing its enterprises. This also became one of the arguments in favor of

privatization. But there is also an opinion that enterprises of different forms of ownership should be coming into the market—those that emerge not as a result of privatization but are started as private businesses.

[Ryabchenko] This is the position of some left-wing forces in the parliament. Let us build private property, they say, not in place of state property but in parallel with it. I think this is not justified from an economic standpoint. It is an illusion that someone can build privately a plant today: This requires enormous money and even changes in the current Ukrainian legislation. Meanwhile, time goes by. State enterprises urgently need technical modernization and investment. And the longer the state property is kept out of private ownership, the more our industry will decay, the more collectives will languish on a forced leave. Perhaps it looks unacceptable from an ideological standpoint for some left-wingers, but the economy dictates its own laws and demands certain action. A parliamentary delegation looked at the results of privatization in Russia, and we noticed how many joint enterprises emerged there lately—privatized enterprises coupled with foreign investment in the form of new equipment and production. The result: quality goods in the stores that are cheaper than imports.

Minister Comments on Land Edict

954F0382A Kiev PRAVDA UKRAINY
in Russian 17 Nov 94 p 1

[Interview with Yuriy Karasyk, Ukraine minister of agriculture and foodstuffs, by Georgiy Simakovich; place and date not given: "Land—To the Peasants!"]

[FBIS Translated Text] Ukrainian President Leonid Kuchma has signed the edict "On Urgent Measures To Accelerate Land Reform in the Sphere of Agricultural Production." This measure constitutes a practical step toward implementation of the program of radical reform of Ukraine's economy presented by the president in October at the session of the Supreme Council. And it concerns a sector most vitally important to us, one whose state determines the welfare and well-being of virtually each and every one of us. For this reason, the editors of PRAVDA UKRAINY visited Yu.M. Karasyk, Ukraine minister of agriculture and foodstuffs, and asked him to comment on the meaning of the new edict, on its role in the lives of those who work the land and feed us all.

[Simakovich] Yuriy Mikhaylovich! What meaning does this presidential edict have for those who work in the villages? To what extent do its main provisions meet their vital interests and, consequently, the interests of all inhabitants of Ukraine?

[Karasyk] I personally consider agriculture—primarily the agriculture of the significance we see in Ukraine—not a sector, but rather the way of life of our society. The entire state is founded on it. I, therefore, view the edict as the beginning of radical reform in the village, as the first impulse toward transforming the man who works the land into its owner, its proprietor in the fullest sense of the word. The motivation to achieve highly effective, productive labor will necessarily appear in this owner; and, what is no

less important, he will be the full-fledged master of the results of his labor—everything he has reaped, produced, stored, and processed.

[Simakovich] As a specialist, you may find the following question amateurish, but I will ask it all the same. Will not implementation of this edict constitute the beginning of a massive decollectivization? In the past, after all, all-encompassing, reckless, and thoughtless massive collectivization brought us a great many calamities, destroying the way of life and production relations formed in our villages over the ages and inflicting significant damage to agriculture, especially in the initial stage. Today, when the kolkhozes, sovkhozes, and leased agricultural enterprises constitute virtually our only food providers, will not privatization of the land as an urgent measure of land-reform implementation result in the collapse of these farms and, in the final analysis, in universal catastrophe?

[Karasyk] I can state with full authority that the answer to this is no. The edict is aimed not at destruction, but at the consolidation of collective forms of ownership. I would like to call your attention in this regard to certain fundamental provisions of this document. First of all, it clearly states that privatization of the land into collective and private property should be conducted on a voluntary basis by those who work the land. Secondly, local councils are obliged, with the participation of the Ukraine State Committee on Land Reform, to undertake every effort to deliver lands for collective ownership free of charge to collective agricultural enterprises, agricultural cooperatives, and agricultural joint-stock companies.

[Simakovich] All right, the kolkhozes, sovkhozes, and other agricultural enterprises will remain. But then what is the sense of privatizing the land?

[Karasyk] In that each member of the enterprise, cooperative, or partnership (here I want to get closer to the text of the edict itself) is issued a certificate attesting to the right of private ownership of a land allotment (share), indicating the size of the allotment (share) in standard land-valuation hectares as well as in cost terms.

[Simakovich] So the proprietor of such an allotment will consider this his property only in a formal sense?

[Karasyk] Not at all. The fact is that the allotment (share) may be purchased and sold, presented as a gift, exchanged, inherited, or mortgaged. And every member of a collective agricultural enterprise, cooperative, or agricultural joint-stock company has the right to freely leave it and acquire physical possession and ownership of his allotment (share) free of charge. A state act on the right of private ownership of the land attests to this. The proprietors of these allotments may then unite in any form they find convenient, but without altering the special-purpose designation of the land parcels.

I would like to draw your attention to the following fundamental aspect. The total area of a land parcel that may comprise the private property of a citizen must not exceed the norms established by the Land Code of Ukraine for peasant (owner-operated) farms.

[Simakovich] But privatization of the land in the form envisaged by the edict will require colossal effort on the part of local organs of authority, land management specialists, and other involved services. And we cannot put this matter on the shelf.

[Karasyk] I agree. A tremendous amount of work lies ahead. First of all, an entire package of legislative documents on this question must be compiled before 1 April 1995. But the preparation for this and for partitioning of the land must be done right now. Speaking in general terms, I would like to make special note of the fact that the balancing of reforms, their orientation on increasing the work motivation of the peasant, emancipation of the peasantry, if you will, and the resulting orientation on increased agricultural production—all this comprises the strategic policy of the president. And I can state with full authority that in the absence of land reform, there is no use even talking about reforms in the village. When the peasant becomes a landowner, we will all have bread on the table.

Ukraine's Privatization Process Explained

954F0465A Simferopol KRYMSKAYA PRAVDA
in Russian 30 Nov 94 p 1

[Article by specialists of the Crimean Privatization Investment Fund: "The ABC's of Privatization; Privatization in Ukraine"]

[FBIS Translated Text] "Tell me, please, how I, an ordinary pensioner, can take part in privatization..." "To whom do I entrust my privatization resources so that I am not tricked like the MMM stockholders?" "It is said that the government of Ukraine plans to call off the privatization of state enterprises..." "Is it true that privatization accounts are in effect only to the end of this year?" Letters with questions like this, as before, make up a substantial part of editorial mail. Taking the urgency of the theme into account, we decided to devote a special series of articles to it that illuminate the process of privatization in a comprehensive way. It has been prepared by specialists of the Crimean Privatization Investment Fund. We hope that you will get exhaustive information from the hands of professionals about just what privatization is and how to participate in this process at a profit to yourself.

First of all, we will ask ourselves the question why in general is privatization necessary?

First, privatization is necessary for the sake of the triumph of justice. The state should finally return a part of the property to its own people who over the course of three generations tightened their belt, receiving only 10 percent of the true value of the work that they accomplished.

Second, privatization is an instrument with the help of which we must make a substantial part of our enterprises competitive, having albeit a small, but one's own, niche in the world division of labor. The economic consequences of privatization should be the reorganization and reconstruction of enterprises, the attraction of investments for production, and the formation of an effective economy.

It should be noted that all of society is interested in the process of privatization. Labor collectives are receiving a

real opportunity to become the owners of their own enterprises. The state also wants to have effective enterprises that would provide more taxes for the budget. But the coincidence of interests in itself does not guarantee the achievement of success, since a whole series of factors still exists that determines the course of economic processes. In the case of privatization in Ukraine, the factor of time became such a determining factor.

Ukraine set foot on the path of market reforms with a substantial delay, letting not only the countries of Eastern Europe get ahead, but Russia as well. A purely Ukrainian mentality manifested itself—perpetual indecision, vacillation, and caution—that something might not turn out right. These features are peculiar to both a majority of the population and to its higher leadership. We have already been reaping the fruit of this indecision for a little more than three years.

The concept of destatization and privatization was adopted in Ukraine at the end of 1991. It envisioned swift rates of reform of ownership, and the privatization of small enterprises was supposed to be completed in a year or two and of large enterprises in four or five years. However, reality frustrated the theoretical calculations. Ukraine was unable to ensure the necessary pace of economic reorganizations. As a result, the state program of privatization was not implemented. Statistical data indicates: For all of 1992 in Ukraine, only 22 enterprises were privatized, or only 1 percent of the total number of facilities that were earmarked for privatization in that year. In 1993, already 1,600 enterprises were privatized, but significant changes in the pace of privatization did not occur: The number of privatized enterprises in comparison with the number projected for privatization amounted to no more than 5 percent. According to data of the Ministry of Economics, the number of enterprises privatized in Ukraine today is about 3,500, which is 4 percent of the enterprises subject to destatization.

The privatization plans envisioned by the State Property Fund of Ukraine for 1995 look more optimistic. In fulfilling them, more than 30 percent of the enterprises subject to a change of ownership will have to be privatized. In a quantitative expression, this constitutes 29,000 facilities, of which 8,000 are large enterprises of general state property.

For a comparison, we will cite Russian statistical data; For the last three years in Russia, 70,000 state enterprises were privatized. As a result, almost 90 percent of the small businesses are now in private hands. The contribution of this group to the Russian economy amounts to \$130 billion.

Thus, the kinds of colossal losses that the Ukrainian economy is bearing because of the artificial restraint on the pace of privatization can be calculated. This makes even stranger the recent decision of the Supreme Council of Ukraine concerning the moratorium on the privatization of small state enterprises, including the introduction of a national monetary unit. Under such conditions, what kind of market reform are we talking about? This is a self-delusion. If private property is not recognized by the state on a footing with other forms of property, then the economy can only be in a decline.

And lastly. Undoubtedly, the reform of property carries with it consequences that are enormous and at times unpredictable. Someone will want to become an owner and start his own business, and someone will prefer to work for the state. But this freedom of choice is what defines the essence of a free market. And for the present, the world experience does not know another and more effective way of economic development.

(Read the next issues for a continuation of the series "ABC's of Privatization." You will learn everything about privatization papers and about effective methods for their investment.)

Report on Kuchma's Edict on Agrarian Reform

954K0410A Moscow KOMMERSANT-DAILY
in Russian 23 Nov 94 p 3

[Article by Viktor Zubanyuk: "Agrarian Reform in Ukraine: President Refuses To Play Market Games"]

[FBIS Translated Text] The text of the presidential edict "On Urgent Measures To Accelerate Land Reform in the Sphere of Agricultural Production," published yesterday in Ukraine, underlines the seriousness of Leonid Kuchma's intentions to go down in the history of the republic as a reformer-president. The edict characterizes privatization of the land agricultural enterprises have at their disposal as "an urgent, top-priority measure in the implementation of land reform in Ukraine," and lays down the rules of the game according to which changes in the forms of ownership of the land are to be effected.

In accordance with the edict, the owners of land in Ukraine may be collective agricultural enterprises, or agricultural cooperatives and joint-stock companies, as well as physical persons, and the right of ownership of a land parcel may be bought, sold, presented as a gift, exchanged, inherited, or mortgaged. The document recommends that local councils of people's deputies "take measures," with the participation of the Ukraine State Committee on Land Resources, to accelerate transfer of land free of charge to the ownership of collective agricultural enterprises that show an interest in this. While land management organizations are directed to effect, as quickly as possible, the partitioning of the lands being transferred for collective ownership into land parcels (shares) "without earmarking them physically (on the terrain)." In this regard, each member of a cooperative, collective enterprise, or joint-stock company acquiring land for collective ownership must be issued a certificate confirming his right of private ownership of the land parcel (share), with a determination on the certificate of the size of this parcel in standard land-survey hectares, as well as in value terms.

Each holder of such a certificate may, if he desires, freely leave the collective agricultural enterprise, cooperative, or joint-stock company, and physically acquire his land parcel free of charge in the capacity of private ownership. Owners of the land are afforded the right to free use of the land—up to and including the establishment of a joint enterprise on one's parcel, leasing it, etc., but "without altering its

special-purpose designation." Sale of a land parcel (share) belonging to a private owner is permitted only to citizens of Ukraine.

On the whole, the edict is based on provisions of existing legislation, though it contains a number of provisions "revolutionary" for Ukraine. All the same, it is not so radical as to fundamentally remove the president's ability to compromise with the opposition, represented by Communists, Socialists, and Agrarians who have a majority in the parliament. Leonid Kuchma himself has alluded to this time and again. He stated publicly: "It was in no way my intention to create the conditions for land to be traded on a Kievan Bessarabian market, much less sell it all off to foreigners."

Moreover, the Ukrainian president's edict is similar in its main provisions to the not unknown edict of Boris Yeltsin, following which no agrarian revolution took place in Russia. Despite the right of private ownership of the land guaranteed by the Russian Constitution since 1990, the Laws "On Peasant (Owner-Operated) Farms" and "On Land Reform"—in effect prior to issue of the presidential edict, and the edict itself, there has been no basis for any discussion concerning a weakening of the political or economic influence of the agrarian directorate in Russia. This provides a foundation for assuming that in the event of implementation of the edict, its opponents will become witnesses to nothing more than "the Prussian path of development of capitalism" in Ukraine's agriculture.

Nonetheless, on 18 November the Communists, together with the Socialists and Agrarians, resolutely came out in opposition to those provisions of the edict that presuppose the start of privatization of the land. Despite the fact that the text contained sentences of the variety "the land must belong to the producers of agricultural production output," through which Leonid Kuchma tried to move his opponents towards compromise, an attempt was made to veto the edict. Insofar as members of the parliament were unable to reach a consensus, final resolution of the issue was postponed until 29 November. Postponement of the issue resulted in the deputies losing their ability to block the edict, however, since it was precisely on 18 November that

the time frame during which the parliament would be able to veto the measure expired. Now the parliament can only demand that the government insert minor corrections into the text of the document.

It seems the president and his team will attempt to propose a tempo of discussion of new edicts that, taking into account the existing economic situation in the country, will simply not allow his opponents to gather their wits and mount an organized resistance. This accentuates the resoluteness of the president to conform to the image being formed by his advisers. "The president has no intention of playing market games"—stated Kuchma adviser Anatoliy Galchinskiy.

[begin box] The Government Is Directed:

- prior to 1 January 1995, to lower to 5 percent (of the contract amount) the rate of state duty exacted during buy-sell transactions with respect to land parcels.
- prior to 15 January 1995, to draw up draft edicts on questions of state control over the use and preservation of lands, establishment of a unified state land management service, and institution of the Land Bank.
- by 15 February 1995, to draw up regulations on procedure for partitioning the land that falls under collective ownership into land shares, and regulations on the withdrawal of citizens from collective agricultural enterprises, cooperatives, and joint-stock companies, including those based on sovkhozes and other state agrarian enterprises.
- prior to 1 March 1995, to finalize development of methods and procedures for monetary assessment of land.
- prior to 15 March 1995, to introduce amendments and additions to the Land Code and Civil Code, concerning exercise of the right to a land parcel (share), and transfer of land through inheritance, as a gift, in exchange, and in buy-sell transactions.
- prior to 1 April 1995, to draw up documents with respect to the mortgage and lease of land parcels. [end box]

BELARUS**Lukashenka Parliament Troubles Detailed**

954F0357A Moscow NEZAVISIMAYA GAZETA
in Russian 12 Nov 94 p 3

[Article by Yuras Karmanov: "Lukashenka Loses Ground: The Supreme Soviet Reconsiders Its Decisions"]

[FBIS Translated Text] The 16th Session of the Supreme Soviet of Belarus resumed its work this week in the absence of the president. The official reason for Lukashenka's failure to attend the session was a bout of radiculitis. According to the official explanation, the president had to go to Sochi for treatment. This has given rise to a great multitude of conjectures and rumors in Belarus. In any case, the restoration of Lukashenka's shaky health is unlikely to contribute to the restoration of the president's shaky position in parliament. As soon as Lukashenka had gained the Supreme Soviet's approval of the amendments to the Law on Local Self-Government, which would replace local elected governing bodies with a presidential administration, the deputies presented the president with a surprise he never could have expected. This was the initiative of a group of people's deputies who requested the Constitutional Court to review the amendments to verify their correspondence to the newly adopted Constitution of Belarus. After the "majority" vote in favor of Lukashenka's proposals literally the day before, the members of parliament demanded the reconsideration of this decision. As the acting chairman of the Constitution Court of Belarus, Mr. Tikhinya, told this NEZAVISIMAYA GAZETA correspondent, the matter will be discussed as soon as possible, and the amendments have been suspended until that time. For Aleksandr Lukashenka, this could be a fatal blow, because it could be followed by several unforeseen difficulties. The earlier plan was that the new local administration would act on instructions from Minsk, including instructions pertaining to immediate economic measures. The suspension of the amendments could mean the loss of executive influence on the local level. In addition to this, Lukashenka, who does not have a party of his own, also had great hopes for the local administration because he planned to use it to promote his own candidates for the new parliament, the elections for which are already approaching. That is why the president was reluctant to agree to a combination of the majority and proportional types of electoral systems and insisted on only the majority type. Lukashenka once said that he would not sign the election law if the deputies chose a combined system. With complete confidence in the irreversibility of the processes he had set in motion, Lukashenka was in no hurry to finalize the structure of the local administration. Today it is obvious, however, that his failure to act quickly might leave him no better off after the elections. He has to govern the state, but the method he should employ is a matter of cardinal importance to the president. The perceptible delays in the institution of urgent economic measures are already arousing the dissatisfaction of the people's representatives. Gennadiy

Karpenko, the leader of the National Accord Party, declared that "Lukashenka is incapable of governing the country." All of this is compounded by the displeasure of the IMF, which was gauging the speed of the institution of urgent economic measures to determine the advisability of new credits and saw no changes at all in Lukashenka's first 100 days in office. The president tried to alleviate public discontent by making the impulsive decision to raise the minimum wage in Belarus, but this only complicated the situation in the declared "national cause" of curbing inflation. Furthermore, this measure will not help when prices rise again. It does not take a prophet to predict that the campaign for seats in the new parliament will be based on criticism of the president's first steps. Aleksandr Lukashenka is unlikely to be able to deflect these blows without strong support on the local level. Analysts are already predicting that Lukashenka will have to deal with a new opposition parliament. The people who once voted for Lukashenka, who based his program on frankly leftist principles and then made a sharp turn to the right after he took office, are unlikely to trust candidates from the "government party."

At this time the president also has to contend with the slowly but surely growing political dividends of Mecheslav Grib, the speaker of parliament, who is trying to unite the deputies and take the place of Vyacheslav Kebich, who has left the political arena. It was apparent at the beginning of the session that Grib had no intention of sharing his patrimony with Lukashenka. There has been no clear confrontation yet. Both men have enough trump cards up their sleeves. The day before the question of the electoral system was discussed in parliament, Grib held a meeting with representatives of political parties who had, understandably, advocated the combined type of electoral system. That is why Grib can now respond to Lukashenka's refusal to endorse a combined system with the charge that he wants to smother the emerging multi-party system in Belarus. Then there will be no question about the identity of the person who is trying to usurp authority.... We should recall that this is not the first altercation between Grib and Lukashenka. Presidential candidate Lukashenka made many careless remarks about a video tape showing Grib at meetings with mafia leaders. After he took office, Lukashenka seemed to have forgotten about these meetings, but Russia's IZVESTIYA repeated the allegations. The speaker was understandably indignant and used one of his people to put the creation of a commission to investigate the circumstances surrounding the IZVESTIYA item on the session agenda. He probably had forgotten that the source of the damaging information was not IZVESTIYA, but Lukashenka himself. Furthermore, Speaker Vladimir Shumeyko, who had been invited to Belarus long before that, arrived in Minsk at the very height of the scandal and said at his final press conference that he could vouch for Grib's character.... (Incidentally, if Belarus should lose its president for some reason, the speaker would become the head of state.)

Lukashenka Views Presidency, CIS

954K0386A Moscow TRUD in Russian 10 Nov 94 p 2

[Igor Chernov report on interview with Belarus President Lukashenka by TRUD and KOMSOMOLSKAYA PRAVDA correspondents; place and date not given: "Aleksandr Lukashenka: 'Do Not Believe Those Who Say I am Ailing'"]

[FBIS Translated Text] It has become a bad tradition—as soon as some eminent politician goes to Sochi, rumors fly that he is gravely ill and will soon retire. Now Belarus's first president, Aleksandr Lukashenka, has come up against this "feature" of the Russian resort. He came to Sochi for just 10 days at the invitation of the Russian Federation Government. He rested, got treatments for osteochondrosis, but the rumor in Minsk was that the president was in decline.... I can testify that Lukashenka feels fine and is firmly on his feet. On the eve of his departure he gave an interview to TRUD and KOMSOMOLSKAYA PRAVDA correspondents.

[Correspondent] Aleksandr Grigoryevich, people say you were bedridden. How do you feel now?

[Lukashenka] Well, you know, it is hard to confine to bed a man who has never been sick in 40 years. My ailment is not that kind. You can see that I am standing on my feet and I am able to work.

[Correspondent] You must agree, though, that a head of state's ailment is a political issue. The Republic of Belarus Constitution states that if the president falls ill, his functions go over to the chairman of the Supreme Soviet....

[Lukashenka] That will not happen. Write this down: Lukashenka's functions will not go to anybody else until the end of his term.

[Correspondent] Do you not think, however, that your lengthy absence can be used against you in Belarus?

[Lukashenka] To be perfectly frank, I was working in pain for 80 of the first 100 days of my presidency. So my team and doctors insisted that I get out of Belarus. I could not be treated at home; I was dealing with problems from morning to night.

Our Constitution does not call for a vice president, and the head of state cannot turn his functions over to anyone. So I cannot leave the republic for long. Ten days is the limit. Before I left I signed all the edicts I had to, and I appointed all the people I had to. I gained a kind of reserve period of time in which I could stand on the sidelines and watch what was happening in Belarus. And what I have seen is signs of stirring, of ferment. But our people are keeping close watch over the situation locally. Every day, the chairmen of the KGB and the Security Council, the prime minister, and the ministers of foreign and internal affairs report to me on what is going on in Belarus. Everything is under control. Nothing extraordinary is going on.

[Correspondent] The session of the Belarus Parliament resumed its work on 8 November. Deputies are to examine draft laws on the president, the Supreme Soviet, the Cabinet of Ministers, and the elections. People are already

predicting that serious differences will arise between you and parliament in the course of discussing these laws. What do you think?

[Lukashenka] I have asked the deputies not to discuss draft laws that are vital to Belarus without me. If they do, however, I just will not sign the laws. The current parliament has a few months left; so if there is some confrontation with this president that has been elected by all the people, I am not going to push it. But if the deputies want to leave the political scene with dignity, they ought not to think about confrontation but about ways to cooperate with the president. There may be problems, to be sure. But you can see who is sitting in Belarus's Supreme Soviet—people who have made a mess of everything. They are holding on to their chairs for dear life. Right after the first reading of the law on elections there were proposals to institute a proportional rather than majority system of elections. I would go along with that if the people deserved to be deputies for another term. But they do not.

[Correspondent] Is it necessary to sign a social consent agreement in Belarus, as they did in Russia?

[Lukashenka] Not at all. It is an artificially created situation. I spent a long time preparing a meeting with leaders of parties and movements, and suddenly, here in Sochi, I find out that Mecheslav Grib has already held it. Of course he had the right to. But I think that it is simply inappropriate for the chairman of the Supreme Soviet to start fighting for leadership. After all, it was discourteous to the president who prepared the meeting but had to postpone it because of illness. And you probably know the result: The leaders of parties and movements in the republic came out against the consent agreement.

[Correspondent] What have you managed to do during your presidency? What promises have you fulfilled, and which ones have you not?

[Lukashenka] I promised three things which I had to promise—to curb inflation, to fight corruption, and restore the alliance with Russia and the other republics. I said that we would have a government that would map out specific ways to realize these three goals. And we have created a new government. No one can claim that I have brought my own cronies into it. We replaced all the heads of the Defense Ministry, the KGB, the MVD. Do you know how many enemies I have acquired in the republic? But everything was too cozy. Everywhere you looked, relatives, friends, and cronies....

The results are already apparent. We have stopped the decline in industrial production. And we have done it just by applying strong pressures on cadres; it seemed that they had just given up, they did not want to work. We passed an edict on revising contracts with executives of state enterprises, and it had its effect.

We stopped the structural restructuring of many enterprises—there was no need to break up something that can turn out good, competitive products. Now we are turning our attention to cooperative property ownership and cooperative trade, which used to be a trough for bureaucrats and the trade mafia. A special presidential commission—more

than 100 persons—is working on it. And if we find violations, cadres' heads will roll. The MVD, for example, has instituted 711 criminal cases against people who built cottages for themselves. We are thinking about what to do with them now. I would not want to expropriate all that, but somehow we have to make them give back what they stole.

And look how many mafia networks have built up on our borders. In Brest, for example. They even shook up the leadership there, because the mafia made a move. The Russians complained of irregularities on Belarus' highways, so we created a highway militia, got complete control over the highways, and now the gangs are disbanding one by one. And ever since the replacement of the top command of the border troops, 30 to 40 violators have been caught every day, mostly so-called tranzitniki from Southeast Asia who are trying to go West illegally.

In short, we went head to head with the mafia. The question of who is to prevail is being settled. It's us or them. And they are panicking; threats to the president are proof of that. The threats are either direct or through proxies, saying

"We have to take out this Ivan the Terrible." But I am convinced we will win any fight with the mafia.

[Correspondent] You seemed rather cool about the latest meeting of the heads of states of the CIS. Why?

[Lukashenka] I do not like it when people get together, act as if they are working, sign big agreements, and then after that none of them are implemented. Four basic issues were discussed at the conference—a payment union, creation of the MEK [Intergovernmental Economic Committee], a memorandum on association and integration within the CIS, and the creation of a Eurasian Union. Three of the questions concerned development of the CIS, while the fourth, submitted by Kazakhstan's President Nazarbayev, would simply wipe out the CIS. I proposed that Nazarbayev's issue be withdrawn. Nazarbayev was offended and he left without even a by-your-leave. You cannot play that way, so I said that unless there were specifics, we would begin to act accordingly. But I unequivocally endorsed the initiative of association within the CIS. There is no other form of unification of the former USSR republics. We have to hold on to that at least. If links that are barely alive now crumble, it is going to be very bad for all of us.

ARMENIA

Communist Ranks Split on Economic Reform

954F0467A Yerevan RESPUBLIKA ARMENIYA
in Russian 30 Nov 94 p 1

[Article by Artem Yerkanyan: "Who Is Out of Step There?"]

[FBIS Translated Text] For 70 years the Armenian world has been split into two parts—those who celebrated 28 May and those who observed 29 November. As long as the ranks of the latter were augmented by those who abandoned the ranks of the former, the internal contradictions in both camps were not experienced so distinctly. But today, when the majority of Armenians have determined their political persuasions, it is becoming obvious that the commonality of ideological views is still quite inadequate to reach agreement in the camp of supporters of one idea or another. There is plenty of corroboration of this. The ANM [Armenian National Movement] has split up, there are two "Dashnaksutyuns," and now they are talking about a schism among communists.

The plenum of the Central Committee has expelled from the party six members of the CPA [Communist Party of Armenia] deputy faction in the parliament. They have been accused of violating the principle of democratic centralism that is established in the regulations. The six disgraced party members disobeyed an order from the bureau to vote against the adoption of the program of economic reforms that was being considered in the Supreme Council. It is noteworthy that not only the brave souls who openly supported the program but also a cautious deputy who abstained had to pay for their "excessive independence." As for the 11 communist deputies who did not show up at the parliament meeting, a final assessment of the action of each of them will be given only after a preliminary consideration of the degree of validity of the reasons for their absence.

The chairman, who had frequently been accused of trying to play his own "game," which ran counter to the policy conducted by the Central Committee and the bureau, was also blamed for his inability to organize the work of the faction. There is reason to think that when considering the program of reforms, Rafik Mkhitarian was not burning with any special desire to implement the decision of his party's leadership. But the faction leader did not dare to openly oppose the will of the Central Committee. He had apparently received too strong a warning from his colleagues after his defiantly bold demarche when he defied instructions from the bureau and called for communists to vote for the adoption of 20-percent nonreimbursable privatization. At that time the question of removing him from his position as leader of the faction was suppressed out of fear of a split in the party. But this time, apparently, they will go harder on him, although it will not be easy to establish direct confirmation of the connection between the "passivity" of the faction leader and the "arbitrariness" of six of its rank-and-file members. For ultimately Mkhitarian himself along with the seven other communists voted against the adoption of the reform program, and the

only thing that can "incriminate" him today is the fact that he refused to speak at the session of the Supreme Council on behalf of the Communist Party criticizing the draft of measures developed by the government in conjunction with the IMF. (Leonid Akopyan did this for him.)

The incident that occurred is a result of the deepening contradictions between the Central Committee and the leadership of the CPA parliamentary faction, which is the basis and the most effective mechanism for influencing the processes taking place in social life. The essence of the conflict lies in the differences in approaches of "consistent" communists, who are the nucleus of the "renewed" CPA, and the ex-secretaries of raykoms [rayon committees], who make up a good half of the faction and are bound to the local areas and therefore depend not so much on the party leadership as on the interests of their constituents. With the adoption of the reform program and the deregulation of grain prices, the incomes of the rural grain growers will increase. A deputy elected from a rural area, no matter how strong a communist he may be, will have to proceed first of all from this fact. In exactly the same way a member of parliament who represents an impoverished zone cannot vote against credit for restoring the northern part of the country that was damaged by the earthquake. Taking into account how close the end of the term of office of the Supreme Council is and the fact that in all probability the majority of mandates of the future parliament will be "handed out" by means of majority elections, the communist members of parliament apparently prefer to work more with the voters than with the party leadership.

In one way or another the prestige of the CPA suffers seriously from this since it has forfeited not only the status of the second largest party with respect to parliamentary mandates but also the guarantee of the integrity of its ranks. For it cannot be ruled out that if severe measures are taken against the faction leader, the latter will have supporters who are prepared to share his fate with him. The instability within the CPA is exacerbated also by the disagreements among the members of the Central Committee, in which the forces of the internal opposition, who fought for leadership but were defeated at the last party congress but have not abandoned the idea of revenge, have several votes.

Thus the Communist Party is not in the best of shape as it approaches the parliamentary elections, which, incidentally, does not mean that it is not still one of the most serious competitors for the ANM and Dashnaksutyun, which have essentially already begun their election campaign. There is no doubt that it is these three parties or the blocs forming around them that will contest most of the mandates of the deputies of the National Assembly. As for the ANM and Dashnaksutyun, they have already determined their potential allies. The Dashnaksutyun is actively participating in consultations of the so-called "big five," and the ANM has entered the alliance of right-wing forces created on the initiative of the Christian Democratic Union. So far the communists are in no hurry to create a left-wing bloc to counterbalance the right wing. But such a formation will in all probability take place as the time of the elections draws near. One can assume that in addition to communists, agrarians, and Komsomol members the bloc

of left-wing forces will also include the Labor Armenia union, pro-communists, and women's and veterans organizations. This alignment of forces will pursue the goal of enlisting the most diverse segments of the society in the cause of capturing the ghost of communism: from youth to pensioners, from workers to peasants.

But the times of the great victories of the "bloc of communists and nonparty members" are behind us and the successes of liberal forces are obvious even today. Communists will not receive votes as easily as they did in the 1990 elections. Are the communists prepared to oppose the election campaign of their competitors with something more significant than reminders of the "good old" socialist days?

AZERBAIJAN

Opposition Responds on Shusha, Lachin Plan

954F0456A Baku ZERKALO in Russian 26 Nov 94 p 5

[Interview with representatives of Azerbaijani opposition political parties by A. Babakhanova, ZERKALO correspondent; place and date not given: "The Demilitarization of Shusha and Lachin: Opinions of the President and the Opposition"]

[FBIS Translated Text] *President of Azerbaijan Geydar Aliyev expressed himself the other day on the question concerning a plan to demilitarize the Shusha and Lachin zone and to establish international control in this region. At the same time, it is assumed that all of the remaining demands of Azerbaijan, including the withdrawal of troops and the return of refugees, will be implemented.*

Representatives of two of the leading opposition political parties expressed their opinion concerning this plan in an interview by a ZERKALO correspondent.

Z. Alizade, deputy chairman of the Social-Democratic Party of Azerbaijan:

"As far back as 1992, our party officially came out for a change in the approach to the Karabakh problem. We repeatedly declared that it was necessary to achieve a settlement of the Karabakh conflict by peaceful means. Taking into account the interests of the Armenian community and the obligatory interests of the Azerbaijani state and the Azerbaijani people. For this, it was proposed by our side to restore the status of the NKAO [Nagornyy Karabakh Autonomous Oblast] in order to provide an opportunity for the two communities to adapt to each other for some time and to remove distrust. We proposed to introduce international military forces into the zone to look after compliance with the rights of the Armenian minority. We also proposed that the Lachin corridor be left open under the control of international forces and Azerbaijani customs (to prevent the introduction of weapons by Armenians).

"Thus, proposals were made on the demilitarization of the entire zone, the disarmament of both the Azerbaijanis and the Armenians, and supervision of public safety on the part of both the international forces and the Azerbaijani police.

"As for the demilitarization of Shusha and Lachin, this solution is acceptable only in the event that there will be an Azerbaijani customs post there that will control cargo to and from Karabakh. And this point must absolutely be a part of the general agreement concerning the fact that there would be no armed forces in Nagornyy Karabakh. Because the armed forces of one country cannot be inside the other country. Nagornyy Karabakh cannot have the status of a state. Inasmuch as the fond dream of the Armenians is recognition of the Karabakh Armenians as an independent state, they graciously agree to join confederative relations. This is only because Russia stands behind them with the connivance and hypocrisy of the West. And I believe that the demilitarization of Shusha and Lachin is impossible without a determination of the status of Nagornyy Karabakh. I think that this question absolutely has to be raised at a CSCE or UN conference. If the NKAO is made a republic—farewell Karabakh and farewell Azerbaijan, because foreign forces in the future will conduct the kind of ethnic game as a result of which Azerbaijan will generally fall apart. And I think that Azerbaijan is now at a very difficult crossroads—it either has to stand or bend."

A. Mollazade, Deputy Chairman of the NFA [People's Front of Azerbaijan]

"We believe that if there is a need to employ peacekeeping forces to settle this conflict, then they must be international, and that not one side participating in them should have an advantage in a numerical sense. Moreover, we believe that this should occur under the aegis of an international organization, and that the introduction of peacekeeping forces should be stipulated with a precise schedule.

"As for the question of Shusha and Lachin, it should in no way be taken out of the general context of a resolution of the Karabakh problem. The isolation of Shusha and Lachin as a separate problem could damage Azerbaijan's interests. Because in this event there can be no question about any kinds of security measures for the refugees, who in the event of the start of a settlement of the conflict should return to this rayon. The result could be a game similar to the one that is now being conducted in Georgia with the Georgian refugees, who allegedly are returning to the homeland. It would seem that somebody is returning, but all of this is under the control of Abkhaz forces. As a result of these games, we could lose Shusha forever. But the loss of Shusha for Azerbaijan is practically a loss of all of Karabakh, since it is Shusha that in its cultural and historical value is the most significant city in the entire Karabakh region.

"Thus, it seems to us that this question should be resolved in a complex with everything in the plan that was at one time in both the framework of the CSCE as well as in the period when the trilateral initiative of the United States, Turkey, and America [as published] existed.

"The situation with Lachin is somewhat different. Here a flexible approach to questions of international control over the so-called "humanitarian corridor" is possible. But in any case, the status of Azerbaijan should be restored on the entire territory without delay. And we view all of it as

territory occupied by Armenia. The attempts of the Armenian side to identify some questions as questions of the bilateral mutual relations of the so-called "Karabakh Republic" and Azerbaijan are incompetent. We view this conflict as a conflict between Azerbaijan and Armenia."

At the request of the ZERKALO correspondent, the details of this plan were explained by

Tofik Zulfulgarov, Deputy Minister of Foreign Affairs.

"Before the last round of negotiations in Moscow, the Azerbaijani side developed a compromise proposal whose essence is to lead the discussion about the problem of Shusha and Lachin out of an impasse. According to this proposal, we do not at this moment exercise full military control over the territory of Lachin and Shusha. Azerbaijan retains only police control for itself. Military control should be implemented by international security forces that will provide a special road regime.

"But this regime is of a temporary nature only for the time of the continuing negotiating process and until the problem of comprehensive settlement is resolved. That is, this political agreement is the first phase on the road to the settlement of the entire problem of Nagorny Karabakh. Later, others will follow that are associated with refugees, the status of Nagorny Karabakh, etc.

"I am talking about a definite phasing system in the resolution of the problem. As you see, we are still not raising questions connected with other population centers inside Nagorny Karabakh, but this does not mean that we have reconciled ourselves to the fact that this is not our territory.

"This kind of phasing has before it the objective of increasing the degree of trust. After all, to move from military confrontation to a full settlement is impossible. Monoethnic zones have to be established that will be controlled by international forces, since it is difficult to imagine, for example, how to settle Khodzhal now with Azerbaijanis, and how to establish military control and ensure the complete security of the people.

"Therefore, for the first phase it is necessary to resolve some kind of narrow range of problems. This should include the liberation of occupied territories (I have in mind territories with respect to which it can be unequivocally said that these are Azerbaijani settled territories). The decision regarding other territories should be delayed for the time being, because it is not clear in what form the return there of refugees will be implemented. It is impossible, after all, to put an international forces soldier near each refugee. That is, phasing is dictated by these considerations.

"The Armenian side is raising the problem of Shusha and Lachin to the second plane, and it is examining it simultaneously with the question of the status of Nagorny Karabakh. We believe this is wrong, because this actually denotes a scheme for the exchange of territories for status. But it is not considered possible at the present moment to establish the status of Nagorny Karabakh, inasmuch as about 50,000 Azerbaijanis lived in Nagorny Karabakh,

and it is not clear who and with whom this status will be established. The authorities that are implementing control over the territory are not legitimate; they do not represent the entire population of Nagorny Karabakh, and Azerbaijanis were expelled from there. This is also part of the conflict. At least definite elements of trust should be established between the two communities in Nagorny Karabakh. These communities should at least live next to each other, and in the future it will be possible to propose some kinds of other schemes of settlement: the conduct of a referendum and elections under international control. After all, what there is there now is a military junta, and no one is planning to recognize it as the leadership of Nagorny Karabakh.

"It is necessary to eliminate the military presence of the Republic of Armenia in Nagorny Karabakh. And then we will decide the question on the status of Karabakh.

"We submitted an official proposal on the demilitarization of the zone, but unfortunately the Armenian side, which was not ready for such a turn of events, in answer to the entire matter only repeated the proposal of the mediators, either because it could not give a specific answer, or it considered such a proposal unacceptable, and in this connection we turned our attention to the fact that the proposals being submitted by the mediators should be acceptable to both sides. But if this does not occur, then it is necessary to continue the search for some kind of new forms of resolving problems.

Defense Minister on Career, Gabala Issue

954F0452A Baku ZERKALO in Russian 26 Nov 94 p 8

[Interview with Lieutenant General Mamedrafi Ismail ogly Mamedov, minister of defense of the Republic of Azerbaijan, by E. Alyoglu; place and date not given; under the rubric "Tete-a-Tete": "Mamedrafi Mamedov: 'I Was a Popular Guy'"]

[FBIS Translated Text] *The new rubric "Tete-a-Tete," which ZERKALO is launching in this issue, is an attempt to provide the reader with a closer look at the people who are already, as the saying goes, "in the public eye." As a rule, for the mere reason of their prominence, there are usually a lot of rumors surrounding them. What of this "talk" is true, and what is lies—it is always interesting to hear the opinion of the most interested party. Our first interlocutor is Lieutenant General Mamedrafi Ismail ogly Mamedov, minister of defense of the Azerbaijan Republic, a would-be oil industry worker, a certified agronomist and driver, whom his family and friends call Kamil and whose zodiac sign is Aquarius...*

[Alyoglu] Please tell us a little bit about yourself. But briefly, without embellishments and official language.

[Mamedov] I was born in Kuba on 4 February 1942, in a kolkhoz family. There were eight brothers and two sisters in our family. My father's name was Usta Ismail, and he was a good blacksmith. Mother at first taught in school, but when the children came along she became a housewife.

Having graduated from Kuba secondary school No. 1, I decided to get a higher education. I did not pass the enrollment requirements for a higher education institution,

because this required more knowledge and effort. I did manage to get enrolled in an oil industry technical school. Having studied there for three days, I dropped out.

[Alyoglu] Did you get bored or just not like it?

[Mamedov] I was very willful and independent at the time.

[Alyoglu] Did you get beaten up for that occasionally?

[Mamedov] I was always able to take care of myself. Actually, nobody ever beat me up, but father quite often engaged in a bit of "educating." He did it not because I was rude or dishonored my family. No, Usta Ismail wanted to see me grow up a Man Who Does Not Dishonor His Father or His Family.

[Alyoglu] Has Usta Ismail succeeded?

[Mamedov] This is not for me to judge... Then I enrolled in agricultural technical school, from which I did graduate successfully with an agronomist diploma. After finishing school, I worked as a driver, because I had a passion for things mechanical. But then I discovered that I did not like this occupation either.

[Alyoglu] Again?

[Mamedov] Again. As the saying goes, I did not find myself. Kuba is a small town...

[Alyoglu] Uninteresting...

[Mamedov] Yes. I wanted something more than that.

[Alyoglu] Did you already see yourself as a general then?

[Mamedov] No. I simply felt that I could do more. The thing about me was that my peers always gathered around me. I was 16 when my brothers bought a Pobeda and said: "Cruise."

I was a popular guy. But later I felt that I was heading in the wrong direction. It happened occasionally that my actions bordered on crime. It was then that I decided: "I have to straighten out before it is too late."

Then was the service in the Soviet Army on the territory of Belorussia, training in the Tambov Artillery School, six years of service in the Western Group of Forces in Germany. Later I served in Ukraine, Central Asia, Afghanistan, and three years in the Far North. After all this I was appointed deputy chief of the General Staff Academy of the Armed Forces of the Soviet Union.

[Alyoglu] The way it sounds, you are a veteran warrior. But you are called a "staff" general, who has not been in action and does not know how to use a submachine gun.

[Mamedov] Not only do I know how to use a submachine gun—I can make one myself. In asking this question, you hint at my service as the General Staff Academy's deputy chief for rear services. I have to tell you that in the United States a man is not considered a good officer if he has no experience managing rear services. No general in the Azerbaijani army can do some things I can do.

[Alyoglu] For instance?

[Mamedov] I know all military equipment inside out; I can drive a car or a tank, and tell artillery ammunition apart by sound. I always tell my soldiers: "Do as I do." Because we do not need an "army of the rod"—we need an army where each soldier follows iron discipline. In the military, everybody has to keep discipline—both soldiers and generals. A soldier, even if he is very talented in the area of studying armaments and military hardware, will be merely a loose serviceman without the proper discipline. All victories are gained by adhering to strict discipline and military rules.

[Alyoglu] When did you get married?

[Mamedov] In 1963.

[Alyoglu] Do you love your wife?

[Mamedov] Very much.

[Alyoglu] And does she love you? In your home, are you also the family's minister of defense?

[Mamedov] Why do you not ask my wife whether she loves me. But I never raise my voice at home, because I love them all.

[Alyoglu] You are being accused of building a dacha near Moscow with public money. Is it true?

[Mamedov] I categorically refute this information. I am not building any dacha, and ever since I was appointed minister of defense I have not put two stones together. In the village where my father- and mother-in-law live, a one-story frame house had been standing since 1962. I finished repairs on it in 1991. All the needed materials were purchased legally and it is absurd, to say the least, to accuse me of violation of the law.

[Alyoglu] There are also rumors that you purchased a tractor illegally.

[Mamedov] First, not a tractor but a mini-tractor. My father-in-law's neighbor, 70-year-old Vasily Nikitich, who helps my old folks, asked me to help him—his tractor was broken. Second, like any citizen of the republic, I have a right to purchase a mini-tractor for R2 million out of my own pocket. What is wrong with that?

I am also accused of bypassing the law and sending to Russia construction materials for the construction of a "multistory villa." I will tell you that I asked to take there only 20 square meters of pressed cardboard in a vehicle that was going to Russia to pick up accumulators for the needs of the Ministry of Defense. By the way, I have documents for the purchase of this cardboard.

[Alyoglu] But a mini-tractor, as you yourself said, costs R2 million. Where did you get the money to pay for it?

[Mamedov] I have a lot of friends who have never refused and still do not refuse to help me financially. I bought the tractor with the help of friends, because I did not have this kind of money.

[Alyoglu] What is your salary?

[Mamedov] It is 220,000 manats. Counting length of service and rank.

[Alyoglu] Tell me honestly, have you ever taken a bribe?

[Mamedov] Never.

[Alyoglu] Hard to believe.

[Mamedov] Well, that is up to you to decide. I hate people who stoop to such a despicable thing as a bribe. I want to repeat once again, I have a lot of friends, who sometimes stop by and offer to go out somewhere and relax. Sometimes they get a case of beer and invite me for an evening among friends. Is this a bribe? By the way, there are rumors that I allegedly brought from Russia a Japanese television set, a refrigerator, rugs, and booze in enormous quantities. These are dirty lies, and I know who is spreading this slander.

[Alyoglu] Who?

[Mamedov] A certain peculiar gathering, which includes many people, including chief of the Ministry of Defense personnel department Kurbanaliyev and 7 GYUNA Editor in Chief Emin Eminbeyli. All of them had been waiting impatiently for the recent failed coup.

[Alyoglu] By the way, speaking of Emin Eminbeyli. Accusations are floating around against the Ministry of Defense in connection with the explosion in the restroom of the third floor of the "Azerbaijan" publishing house.

[Mamedov] Emin Eminbeyli-Kuliyev, who passes himself for journalist, is simply a paid pawn in the dirty game launched by his behind-the-scenes masters against the Ministry of Defense.

[Alyoglu] What does your son Elmar do?

[Mamedov] Elmar is a businessman. He signs contracts with Western companies and makes his contribution to the future prosperity of the Azerbaijani economy. Currently he plans to open a furniture-making shop.

[Alyoglu] Please tell in more detail the story of that vehicle sent to Russia to pick up accumulators.

[Mamedov] This is an invented story. The vehicle is currently in St. Petersburg, since I sent people for the second time to bring accumulators for the needs of the Ministry of Defense. Do you want to check on it?

The minister of defense pushes a button on the switchboard and calls his deputy:

—What is the status of the vehicle sent for accumulators?

—They have not left yet.

—Did they get the shipment?

—Not yet.

—Why?

—They say there is no money.

—And what about accumulators we agreed on earlier?

—They are not giving us anything.

—What, prices changed?

—I will find out tonight and report to you in the morning.

—Who talked to you last from St. Petersburg?

—Tarasov himself will be in touch.

—So nothing is clear about the accumulators? The train has left, is that it?

—Not quite, but there is no need to wait any longer.)

[Mamedov] Well?

[Alyoglu] I think you set that all up to create the image of an honest man.

[Mamedov] I am not like certain people who stage such things. I do not want to sound apologetic, but there is documentary proof, contracts, which show unequivocally that there have been no violations of the law.

[Alyoglu] All right. Let us leave accumulators alone and switch to politics. I understand that you are not a politician, but nevertheless, will you answer my questions?

[Mamedov] Of course.

[Alyoglu] Azerbaijan signed the Collective Security Treaty. Can we set up and place on our territory military bases of a foreign state which is a CIS member? And how will other CIS countries feel about that?

[Mamedov] In my opinion, this is out of the question. Tomorrow Russia may say that it is beginning to set up American ballistic missiles or military-chemical complexes on its territory. What about the Collective Security Treaty then?

[Alyoglu] In Moscow, did you help Azerbaijan in any way?

[Mamedov] Yes.

[Alyoglu] Openly?

[Mamedov] Of course not. At the time it was difficult to talk publicly about such things. I talked openly with the then leadership of Azerbaijan. About this, and many other things. I was subjected to severe persecution for this, because somebody was reporting from Azerbaijan to Moscow about my actions. The idea with respect to military warehouses in Agdamskiy Rayon, from where ammunition was moved out, was mine. The plan of the then Soviet Army leadership was for all these warehouses to "blow up." I passed on all this information from Moscow: when the warehouses were to be bombed, which helicopters would do the bombing.

[Alyoglu] In your opinion, what will be the fate of Shusha and Lachin?

[Mamedov] It would be hard for me to discuss this question because it will look as if I am hitting people who are already down—the former military leadership of Azerbaijan. It would look like everybody is bad and only I am good.

[Alyoglu] No, not at all.

[Mamedov] To defend a strategic region, first you have to know what you are going to do it with. If there is no organization, no command organ, it is impossible to conduct military operations and win. This is simply ridiculous.

[Alyoglu] Many people say that the Gabala RLS [radar station] is a "trump card in Azerbaijan's hands."

[Mamedov] If people consider the Gabala RLS a "trump card," they are seriously mistaken. Yes, we can manipulate it. But what are we going to gain? We cannot operate it independently—we do not have either the proper specialists or the needed skills. And neither does Azerbaijan have the money to operate it. For Russia to be able to utilize the RLS, it needs to sign an agreement with Azerbaijan. And if they do not sign it, we will look at other options.

[Alyoglu] Will Russia part so easily with the Gabala RLS?

[Mamedov] They do not give a damn about this facility.

[Alyoglu] Are you serious? The Gabala RLS costs billions.

[Mamedov] That does not matter. Russia has a satellite now that can photograph a meter-long stick on the ground. What are you talking about? Many people say that the Gabala RLS detects moving targets in the Mediterranean. This is a lie, and the people who say this are enemies of Azerbaijan. But we have to act.

[Alyoglu] How?

[Mamedov] Put together an agreement which will say that the Gabala RLS is on the territory of Azerbaijan.

[Alyoglu] Is there such a document?

[Mamedov] Of course. There is such a document, and everybody has signed it except us.

[Alyoglu] Who is "everybody"?

[Mamedov] All the countries that have an interest in it. By signing an agreement on leasing the Gabala RLS, we can gain certain dividends. We lose nothing by signing this agreement. In 10 years we will be able to operate it ourselves, after learning how. Then we can say: "Excuse us, the lease has expired and we no longer want to lease the RLS."

Plan To Reorganize Ministries Proposed

954F0469A Baku GUNAY in Russian 30 Nov 94 p 1

[KHABAR-SERVIS report: "Ministry of Economics Proposes To Eliminate 28 Ministries and Agencies"]

[FBIS Translated Text] The Azerbaijan Ministry of Economics has prepared and submitted for Cabinet of Ministers consideration a draft reorganization of the structure of state administration organs. According to this document, the plan envisages that after reorganization 62 of the 90 current ministries, committees, state companies, state concerns, and association will remain. It envisages the elimination of 18 agencies and another 12 are to be merged or subordinated to different entities.

In particular, it envisages the elimination of the Ministry of Foreign Economic Relations and transferring the functions of this agency, which was created on the basis of the Ministry of Trade, to the Ministry of Foreign and Domestic Trade.

The Ministry of Material Resources is envisaged to be reorganized into the Azerkontrakt state company.

As to the industrial complex, serious changes are expected here as well. The draft envisages the elimination of the Land Committee, the State Agro-Industrial Committee, and the Azeryeyintisanaye state company; their functions will be transferred to the Ministry of Agriculture.

It is also envisaged to abolish the Azerlesbum association, whose functions will be transferred to the State Committee on Ecology and Control Over the Use of Natural Resources.

The Ministry of Culture and the Ministry of Youth and Sports also will form one structure. In addition, it is envisaged to eliminate the Student Enrollment Commission and transfer its functions to the Azerbaijan Ministry of Education.

A KHABAR-SERVIS agency correspondent was told at the Cabinet of Ministers that the GNKAR [Republic of Azerbaijan State Oil Company] will be reorganized into the powerful Azneftgaz state company, which in addition to GNKAR will include Azerigaz and the State Committee on Fuel.

A State Committee for Construction and Agriculture is envisaged to be set up on the basis of several state committees and state companies (such as the State Committee for Housing and Municipal Services, the Azerpromstroy state company, etc.).

Internal structural changes will be made in the agencies that are not envisaged to be abolished or merged with others.

All these proposals still have to go through proper expert evaluation in the Cabinet of Ministers, however, and get approval at various levels.

Parliamentary Election Draft Laws Readied

954F0469B Baku GUNAY in Russian 30 Nov 94 p 1

[Unattributed report under the "News" rubric]

[FBIS Translated Text] Three draft laws on the subject of the system of parliamentary elections in Azerbaijan have been prepared in the republic Supreme Council. According to Supreme Council General Secretary Safa Mirzoyev, the first draft envisages holding elections to a one-chamber parliament using a majority-based system. The second envisages forming a one-chamber parliament through a combination electoral system (majority-based plus proportional). And the last draft envisages a two-chamber parliament, where deputies to the lower chamber are to be elected through a combination system, and to the upper chamber—through a majority-based system on the territorial principle. This draft law does not elaborate, however, on all the nuances of the relationship between the upper and lower chamber, which will be spelled out either in the Azerbaijan constitution or a separate legal document.

Clearing Trade Agreement Signed with Iran

954F0469C Baku GUNAY in Russian 30 Nov 94 p 1

[Unattributed report under the "News" rubric]

[FBIS Translated Text] A clearing trade agreement between Azerbaijan and the Islamic Republic of Iran was signed a few days ago in the course of a meeting between Azerbaijani

Minister of Trade Miri Gambarov and Iranian Deputy Minister of Trade and Industry Agai Karbasian. According to Guseyn Guseynov, general director of the Azintrade foreign trade association, in keeping with this document, after opening clearing accounts in the International Bank of Azerbaijan and the Central Bank of Iran, the two countries will begin trading in consumer goods as soon as the beginning of next year.

Oil Price Increase Anticipated

954F0469D Baku GUNAY in Russian 30 Nov 94 p 2

[Unattributed report under the rubric "Economic News": "Oil Prices Will Soon Be Raised Again"]

[FBIS Translated Text] "We do not know whether we will be able to raise oil industry workers' wages following the latest increase in oil prices, since we do not know which part of the earnings resulting from this action will go into the GNKAR [Republic of Azerbaijan State Oil Company] budget," said Sayad Ibragimov, first vice president of the Azerbaijani state oil company. He noted that currently 33 percent of all the state company's profits are paid out in wages to oil industry workers.

"The recent increase of the crude oil price from 26,000 to 35,000 manats per tonne is absolutely not enough for us; however, knowing that a sharp increase in fuel prices may create difficulties in many other areas, we decided to postpone it," said S. Ibragimov. He also said that oil prices will be raised again in the very near future, which is expected to enable the industry to raise wages for its workers.

Gas Supply Shortfalls 'Critical'

954F0469E Baku GUNAY in Russian 30 Nov 94 p 2

[Unattributed report under the rubric "Economic News": "The Question of Azerbaijan Gas Supply Is at a Critical Stage"]

[FBIS Translated Text] As of now, Azerbaijan has stockpiled 800 million cubic meters of gas for the winter period. This quantity clearly is insufficient, said Bakhran Amrahov, vice president of the Azerigaz state company, since the daily demand for gas in the republic during the winter period is between 53 and 58 million cubic meters, while currently, counting deliveries of Turkmen gas and the republic's own reserves, only 23 million cubic meters a day are available for the needs of industry and the population during the winter period.

B. Amrahov noted that in connection with the accident at the pipeline through which Turkmen gas comes to Azerbaijan, right now only 16 million cubic meters of gas are delivered daily to the republic gas distribution network from the GNKAR [Republic of Azerbaijan State Oil Company] plus 3-4 million cubic meters from gas storage facilities.

Azerbaijan Looks to Budapest Summit

954F0457A Baku ZERKALO in Russian 26 Nov 94 p 5

[Article by S. Turyalay: "Russia Striving To Entice Azerbaijan Over to Its Side—Meeting in Moscow Proposed on Eve of Budapest Summit"]

[FBIS Translated Text] The beginning of December will be a decisive time as far as regulation of the Armenian-Azerbaijani conflict is concerned. On 5 December, a session of the heads of CSCE member states will convene in Budapest, and one of the central issues of this Budapest summit will be finding a solution to the problems involved in a Karabakh settlement. We can assume that the Karabakh question will be a bone of contention between Russia and the Western countries. The decisive encounter will dot all the i's and cross all the t's: under whose initiative the settlement will proceed, and which country or countries will provide the troops for peacekeeping operations. Though it cannot be ruled out that the key issue of a settlement—the establishment of CSCE peacekeeping forces—will be chopped to the roots by Russia's efforts to attain a monopolistic right to establish the peace in Karabakh. Especially since such an attempt was already undertaken at the 18 November conference of the Committee of Senior CSCE Officials in Budapest. Here Vladimir Kazimirov, the Russian president's personal representative on the Karabakh settlement, broke the consensus in resolving the question of formation of CSCE peacekeeping forces, and that question therefore remains open. Vladimir Kazimirov stated at the committee conference that there was no adequate basis in international law for Russia's participation in CSCE peacekeeping forces, and that Russian forces could therefore not join these forces.

In recent times Russia has been actively striving to effect reorganization of the CSCE. During a recent visit to France, Russian Minister of Foreign Affairs Andrey Kozyrev stated that "CSCE and NATO already belong to the past." And questions being raised today by Russia—on establishment of the CSCE Security Council, the mandate of the Minsk Group of the CSCE, the basis of international law, and certain other issues—are all links in a single chain. The underlying motif of these demands is fairly clear: not to allow increased influence by Western CSCE countries in the processes of resolution of conflict situations in the zone of "Russia's strategic interests"—chiefly in Azerbaijan. Appearing before Russian generals in Moscow in mid-November, Russian President Boris Yeltsin stated that we might see a cold spell in Russian-American relations. In fact the overall tenor of the Russian president's presentation was somewhat confrontational. In a situation where the winds of the Cold War have again begun to blow, a clash of interests of the two powers in the Karabakh scenario is simply inevitable. On the threshold of the Budapest conference, Russia has intended to seize the initiative from the CSCE, and has enlisted the support of the conflicting sides. It is for this reason that on 30 November in Moscow, as reported by Moscow sources, there was to be a meeting between the presidents of Azerbaijan and Armenia, with the participation of Russian President Boris Yeltsin. The prospects of organizing such a meeting were discussed 17 November during the brief visit of Geydar Aliyev to Moscow. But even today there little likelihood that such a meeting in the capital of Russia is possible—the top leadership of Azerbaijan has probably not yet determined how advantageous such a meeting would be, especially just prior to the Budapest summit. As far as the scheduled date—30 November—is concerned, it is on that day that Minister of

Foreign Affairs Gasan Gasanov heads to Brussels for a meeting of the heads of foreign policy departments of the North Atlantic Cooperation Council, then goes on to Budapest. It is felt that the participation of Azerbaijan's minister of foreign affairs in a Moscow meeting would be desirable. Though the meeting could take place sooner if the Azeri leadership believed it essential.

A great deal of talk has been heard in the past two weeks on a possible meeting at the end of November of the presidents of Azerbaijan and Armenia in Geneva, with participation of Secretary General of the United Nations Butrus-Ghali. It turned out, however, that there would be no meeting in Switzerland. At least Mahmud el-Said, head of the United

Nations office and one who should know about such a meeting, had no such knowledge. It has become clear from sources in the Azerbaijan Ministry of Foreign Affairs that a meeting in Geneva was in fact proposed, but that the Armenian side advanced a condition unacceptable to Azerbaijan—participation on an equal basis by representatives of the Armenians of Nagornyy Karabakh. Naturally, Azerbaijan could not agree to such a condition.

One must presume that Azerbaijan, in rejecting bilateral meetings with the participation of various intermediaries, is counting all the same on the meeting of the heads of state of CSCE member states in Budapest. Whether or not its hopes are justified will become clear in the near future.

ESTONIA

Killings Rise by Fifty Percent in Year

95P20197A Helsinki HELSINGIN SANOMAT
in Finnish 12 Nov 94 p C 5

[Unattributed Article: "Four Hundred People Killed in Estonia This Year"]

[FBIS Translated Text] (Tallinn) Around 400 people have been killed so far this year in Estonia, estimates the Estonian National Police Statistics Office. This number does not include those lost in the sinking of the ship ESTONIA. In Finland, some 30 killings go unsolved.

According to the Finnish Embassy in Estonia, not one Finn has been killed in Estonia so far this year.

Manslaughters and homicides have increased this year by over 50 percent. By the end of this year, police expect there will have been between 550 and 600 unsolved murder cases.

According to official crime statistics, violations overall have decreased by 5.4 percent. Former interior minister and currently head of a private security agency, Olev Laanjarvi thinks the figures result from errors in the statistics. People do not trust the police and so no longer provide information about crimes.

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